

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

**JEFF DAVIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

Painter and Associates, P.C.
Certified Public Accountants

836 King George Lane
Savannah, Texas 76227-7854

Independent Auditor's Report

To the Commissioners Court
Jeff Davis County, Texas

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 as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Jeff Davis County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2019, and the respective changes in financial position for the year then then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension related disclosures on pages 3-6, 13-14 and 35-37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Painter and Associates, P.C.

Savannah, Texas
April 4, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Jeff Davis County, Texas discuss and analyze the County's financial performance for the fiscal year ended December 31, 2019. Please read it in conjunction with, the independent auditors' report on page 1, and the County's basic financial statements which begin on page 7.

FINANCIAL HIGHLIGHTS

As a result of this year's operations the County's net position increased by \$331,056. This was an increase of 4.6% year-over-year.

During the year, the County had expenses that were \$331,056 less than the \$3,576,688 generated by the ad valorem taxes, investment earnings, licenses and permits, charges for services as well as miscellaneous income in the General Fund.

The County participated in state and federal grants during the year. Grant expenditures for the year totaled \$421,478.

The General Fund ended the year with a fund balance of \$3,333,234 which represented an increase of \$812,649 from the prior year, after transfers.

The general fund budget for the County revealed \$167,650 more revenues were received during the year than were budgeted while \$202,658 less expenses were incurred than were budgeted for the year. The net effect of the budget variance was \$370,308, a positive budget variance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, beginning on page 7, provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements, starting on page 17, provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 7. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the County's assets, deferred outflows, liabilities, deferred inflows and net position at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities we present the County as one kind of activity:

Governmental activities – The only funds reported by the County here are general operations of the entity.

Reporting the County's Most Significant Funds

Fund Financial Statements

Laws and contracts require the County to establish some funds by State law and bond covenants. The County's administration establishes many other funds to help it control and manage money for particular purposes such as grants.

Governmental Funds

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County implemented GASB Statement No. 34 in a prior year. In future years, we present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental type activities.

Net position of the County's governmental activities increased from \$7,254,470 as restated to \$7,585,526. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$4,178,603 at December 31, 2019. This increase in governmental net position was the result of the County's activities.

TABLE I - SUMMARY OF NET POSITION

	Governmental Activities		diff	
	2019	2018	\$	%
Assets				
Cash and Cash Equivalents	\$ 3,106,190	\$ 2,825,232	\$ 280,958	9.9%
Restricted Cash	2,298,912	2,488,745	(189,833)	-7.6%
Receivables, net	847,863	821,571	26,292	3.2%
Other Assets	-	-	-	-
Capital Assets, net	2,539,028	2,369,197	169,831	7.2%
Net Pension Asset	163,523	397,434	(233,911)	-58.9%
Total Assets	8,955,516	8,902,178	53,338	0.6%
Deferred Outflows of Resources	263,162	152,165	110,997	72.9%
Liabilities				
Accounts Payable	162,806	425,013	(262,207)	-61.7%
Accrued Compensated Absences	-	46,573	(46,573)	-100.0%
Total Liabilities	162,806	471,586	(308,780)	-65.5%
Deferred Inflows of Resources	1,470,345	1,328,287	142,058	10.7%
Net Position				
Net Investment in Capital Assets	2,539,028	2,369,197	169,831	7.2%
Restricted	867,895	737,607	130,288	17.7%
Unrestricted	4,178,603	4,147,666	30,937	0.7%
Total Net Position	7,585,526	7,254,470	331,056	4.6%

TABLE II - SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		diff	
	2019	2018	\$	%
Revenues				
Charges for Services	\$ 284,236	\$ 276,263	\$ 7,973	2.9%
Operating Grants and Contributions	483,480	246,842	236,637	95.9%
Taxes				
Property Taxes	2,058,693	1,989,000	69,693	3.5%
Sales Tax	83,286	79,441	3,845	4.8%
Hotel / Motel Tax	243,560	149,501	94,059	62.9%
Interest	16,345	16,337	7	0.0%
Donations	302	19,176	(18,874)	-98.4%
Miscellaneous Revenues	406,787	212,545	194,242	91.4%
Total Revenues	3,576,688	2,989,106	587,582	19.7%
Expenses				
Administrative	1,475,386	1,253,691	221,695	17.7%
Judicial	550,190	540,860.63	9,329	1.7%
Law Enforcement	554,069	522,045	32,024	6.1%
Library	97,159	101,445	(4,286)	-4.2%
Cultural - Recreation	6,837	8,126	(1,289)	-15.9%
Maintenance	504,529	376,117	128,411	34.1%
Highways and Streets	57,463	88,507	(31,044)	-35.1%
Total Expenses	3,245,632	2,890,792	354,841	12.3%
Increase (Decrease) in Net Position	331,056	98,315	232,741	236.7%
Beginning Net Position (restated)	7,254,470	7,156,155	98,315	1.4%
Ending Net Position	\$ 7,585,526	\$ 7,254,470	\$ 331,056	4.6%

THE COUNTY'S FUNDS

As the County completed the year, its General Fund, as presented in the Balance Sheet – Governmental Funds on page 9, reported a fund balance of \$3,333,234, which is greater than last year's total of \$2,520,585 as restated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, the County had over \$9.2 million invested in land, buildings, machinery and equipment, work-in-progress and office furniture and fixtures.

TABLE III - CAPITAL ASSETS

	Governmental Activities		diff	
	2019	2018	\$	%
Work-in-Progress	\$ 290,845	\$ 290,845	\$ -	0.0%
Buildings	5,573,451	5,573,451	-	0.0%
Machinery and Equipment	3,342,537	3,342,537	-	0.0%
	9,206,833	9,206,833	-	0.0%
Less:				
Accumulated Depreciation	(6,667,804)	(6,409,447)	(258,357)	4.0%
Total Net Capital Assets	\$ 2,539,028	\$ 2,797,385	\$ (258,357)	-9.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The fiscal year 2020 budget was adopted on September 16, 2019 with total general fund expenditures of \$2,409,231, a 6% increase from the fiscal year 2019 budgeted expenditures. The County's ad valorem tax rate is \$0.75062 for fiscal year 2020, which is effectively a 7% increase over the prior year.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County accountability for the money it receives.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office, at the Jeff Davis County Courthouse, P.O. Box 605, Ft. Davis, Texas 79734.

BASIC FINANCIAL STATEMENTS

JEFF DAVIS COUNTY, TEXAS

Statement of Net Position

December 31, 2019

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 3,106,190
Restricted Cash	2,298,912
Total Cash and Cash Equivalents	<u>5,405,102</u>
Receivables, net	847,863
Work-in-Progress	290,845
Capital Assets, net	2,248,183
Net Pension Asset	163,523
Total Assets	<u>8,955,516</u>
Deferred Outflows of Resources	
Deferred Outflows - Pensions	263,162
Total Deferred Outflows of Resources	<u>263,162</u>
Liabilities	
Current Liabilities	
Accounts Payable	162,806
Total Liabilities	<u>162,806</u>
Deferred Inflows of Resources	
Deferred Revenues	1,431,017
Deferred Inflows - Pensions	39,328
Total Deferred Inflows of Resources	<u>1,470,345</u>
Net Position	
Net Investment in Capital Assets	2,539,028
Restricted	867,895
Unrestricted	4,178,603
Total Net Position	<u>\$ 7,585,526</u>

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, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
Governmental Activities:				
Administrative	\$ 1,475,386	\$ 38,414	-	(1,436,972)
Judicial	550,190	102,339	53,200	(394,651)
Law Enforcement	554,069	3,249	216,425	(334,394)
Library	97,159	1,335	-	(95,825)
Cultural - Recreation	6,837	-	-	(6,837)
Maintenance	504,529	-	213,854	(290,674)
Highways and Streets	57,463	138,899	-	81,437
Total Expenses	\$ 3,245,632	\$ 284,236	\$ 483,480	(2,477,916)
General Revenues:				
Taxes				
Property Taxes				2,058,693
Sales Tax				83,286
Hotel / Motel Tax				243,560
Interest				16,345
Donations				302
Miscellaneous Revenues				406,787
Total General Revenues				2,808,972
Change in Net Position				331,056
Beginning Net Position, restated				7,254,470
Ending Net Position				\$ 7,585,526

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

JEFF DAVIS COUNTY, TEXAS

Balance Sheet

Governmental Funds

December 31, 2019

	General Fund	Road and Bridge Fund	Non-major Governmental Funds	Non-major Special Revenue Funds	Total
Assets					
Cash and Cash Equivalents	\$ 2,690,682	\$ -	\$ 415,508	\$ -	\$ 3,106,190
Restricted Cash	1,431,017	588,234	85,080	194,581	2,298,912
Total Cash and Cash Equivalents	4,121,699	588,234	500,589	194,581	5,405,102
Receivables, net	801,058	-	46,805	-	847,863
Total Assets	\$ 4,922,757	\$ 588,234	\$ 547,393	\$ 194,581	\$ 6,252,965
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 158,506	\$ 2,983	\$ -	\$ 1,317	\$ 162,806
Deferred Revenues	1,431,017	-	-	-	1,431,017
Total Liabilities	1,589,523	2,983	-	1,317	1,593,823
Fund Balance					
Restricted Fund Balance	-	585,250	131,885	193,264	910,399
Assigned Fund Balance	-	-	415,508	-	415,508
Unassigned Fund Balance	3,333,234	-	-	-	3,333,234
Total Fund Balance	3,333,234	585,250	547,393	193,264	4,659,142
Total Liabilities and Fund Balance	\$ 4,922,757	\$ 588,234	\$ 547,393	\$ 194,581	\$ 6,252,965

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

JEFF DAVIS COUNTY, TEXAS
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2019

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

Total Fund Balances - Governmental Funds	\$ 4,659,142
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,539,028
The net pension asset is not a financial resource and, therefore, is not reported in the funds	163,523
Pension deferred outflows and inflows of resources, net	223,834
Total Net Position - Governmental Activities	<u>\$ 7,585,526</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 Balance - Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Road and Bridge Fund	Non-major Governmental Funds	Non-major Special Revenue Funds	Total
Revenues					
Charges for Services	\$ 145,337	\$ 138,899	\$ 662	\$ -	\$ 284,898
Operating Grants and Contributions	53,200	-	-	430,280	483,480
Taxes					
Property Taxes	2,058,693	-	-	-	2,058,693
Sales Tax	83,286	-	-	-	83,286
Hotel / Motel Tax	-	-	243,560	-	243,560
Interest	16,345	-	-	-	16,345
Donations	-	-	-	17	17
Miscellaneous Revenues	226,787	-	179,338	284	406,409
Total Revenues	2,583,648	138,899	423,560	430,581	3,576,688
Expenditures					
Administrative	778,904	-	385,817	213,854	1,378,575
Judicial	550,190	-	-	-	550,190
Law Enforcement	346,446	-	-	207,623	554,069
Library	97,159	-	-	-	97,159
Cultural - Recreation	6,837	-	-	-	6,837
Maintenance	290,674	-	-	-	290,674
Highways and Streets	-	57,463	-	-	57,463
Total Expenditures	2,070,210	57,463	385,817	421,478	2,934,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	513,438	81,437	37,743	9,104	641,722
Transfers	299,211	-	(253,000)	(46,211)	-
Change in Fund Balance	812,649	81,437	(215,257)	(37,107)	641,722
Beginning Fund Balance, restated	2,520,585	503,814	762,650	230,371	4,017,420
Ending Fund Balance	\$ 3,333,234	\$ 585,250	\$ 547,393	\$ 193,264	\$ 4,659,142

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

JEFF DAVIS COUNTY, TEXAS

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

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

Change in Fund Balances - Governmental Funds	\$ 641,722
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(258,357)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of the reclassifications and recognitions is to increase (decrease) net position.	(52,309)
Change in Net Position - Governmental Activities	<u>\$ 331,056</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 Balance
Budget to Actual - General Fund
For the Year Ended December 31, 2019

	Original	Final	Actual	Variance With Final Budget Positive or (Negative)
Revenues				
Charges for Services	\$ 126,300	\$ 126,300	\$ 145,337	\$ 19,037
Operating Grants and Contributions	48,533	48,533	53,200	4,667
Taxes				
Property Taxes	1,978,440	1,978,440	2,058,693	80,253
Sales Tax	65,000	65,000	83,286	18,286
Interest	15,300	15,300	16,345	1,045
Miscellaneous Revenues	182,425	182,425	226,787	44,362
Total Revenues	2,415,998	2,415,998	2,583,648	167,650
Expenditures				
Administrative	864,598	864,598	778,904	85,694
Judicial	591,234	591,234	550,190	41,044
Law Enforcement	416,943	416,943	346,446	70,498
Library	98,297	98,297	97,159	1,138
Cultural - Recreation	27,157	27,157	6,837	20,320
Maintenance	274,639	274,639	290,674	(16,035)
Total Expenditures	2,272,868	2,272,868	2,070,210	202,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	143,130	143,130	513,438	370,308
Transfers	-	-	299,211	299,211
Change in Fund Balance	<u>\$ 143,130</u>	<u>\$ 143,130</u>	812,649	<u>\$ 669,519</u>
Beginning Fund Balance, restated			2,520,585	
Ending Fund Balance			<u>\$3,333,234</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 Balance
Budget to Actual - Road and Bridge Fund
For the Year Ended December 31, 2019

	Original	Final	Actual	Variance With Final Budget Positive or (Negative)
Revenues				
Charges for Services	\$ 138,500	\$ 138,500	\$ 138,899	\$ 399
Total Revenues	<u>138,500</u>	<u>138,500</u>	<u>138,899</u>	<u>399</u>
Expenditures				
Highways and Street	64,400	64,400	57,463	6,937
Total Expenditures	<u>64,400</u>	<u>64,400</u>	<u>57,463</u>	<u>6,937</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>74,100</u>	<u>74,100</u>	<u>81,437</u>	<u>7,337</u>
Transfers	-	-	-	-
Change in Fund Balance	<u>\$ 74,100</u>	<u>\$ 74,100</u>	81,437	<u>\$ 7,337</u>
Beginning Fund Balance			<u>503,814</u>	
Ending Fund Balance			<u>\$ 585,250</u>	

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

JEFF DAVIS COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2019

	County & District Clerk Bonds	Fire Department	Custodial Accounts	Total
Assets				
Cash	\$ 412,852	\$ 64,422	\$ 24,064	\$ 501,338
Total Assets	<u>\$ 412,852</u>	<u>\$ 64,422</u>	<u>\$ 24,064</u>	<u>\$ 501,338</u>
Net Position				
Restricted for				
Individuals, Organizations and Other Governments	412,852	64,422	24,064	501,338
Total Net Position	<u>412,852</u>	<u>64,422</u>	<u>24,064</u>	<u>501,338</u>
Total Liabilities and Net Position	<u>\$ 412,852</u>	<u>\$ 64,422</u>	<u>\$ 24,064</u>	<u>\$ 501,338</u>

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

JEFF DAVIS COUNTY, TEXAS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2019

	County & District Clerk Bonds	Fire Department	Custodial Accounts	Total
Additions				
Contributions	\$ 386,862	\$ -	\$ -	\$ 386,862
Miscellaneous	-	30,688	-	30,688
Total Additions	<u>386,862</u>	<u>30,688</u>	<u>-</u>	<u>417,550</u>
Deductions				
Payments to Individuals, Organizations and Other Governments	-	30,688	1,000	31,688
Total Deductions	<u>-</u>	<u>30,688</u>	<u>1,000</u>	<u>31,688</u>
Transfers	-	-	-	-
Net Increase (Decrease) in Fiduciary Net Position	386,862	-	(1,000)	385,862
Beginning Net Position	<u>25,990</u>	<u>64,422</u>	<u>25,064</u>	<u>115,476</u>
Ending Net Position	<u>\$ 412,852</u>	<u>\$ 64,422</u>	<u>\$ 24,064</u>	<u>\$ 501,338</u>

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

JEFF DAVIS COUNTY, TEXAS
Notes to the Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Jeff Davis County (County) was formed July 8, 1893 with Fort Davis, Texas designated as the county seat. The Texas Legislature subsequently disorganized the County, which was then reorganized on May 14, 1931. The County has a Commissioner/County Judge, form of government. A four member elected County Commissioners Court and an elected County Judge, comprise the governing body. All funds and entities related to Jeff Davis County and are controlled by the County Judge and Commissioners Court are included in this report. This control is determined on the basis of budget adoption, taxing authority, and the ability to issue outstanding debt secured by the revenues or which is a general obligation of the County.

Jeff Davis County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary type funds apply Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions based on or after November 30, 1989. For the fiscal year ended December 31, 2004, the County implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

In 2004, the County implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements - and Management Discussion and Analysis – for State and Local Governments; Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, county-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required financial statements and notes.

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments

include those principles prescribed by the *Governmental Accounting Standards Board (GASB)*, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

B. Financial Reporting Entity

The County's basic financial statements include the accounts of all the County's operations. The County is a separate legal entity and not a component unit of any other entity. Specific elements of oversight and component unit responsibilities considered in the conclusion of the above were financial interdependency, designation of management, election of the governing body, the ability to significantly influence operations and accountability of fiscal matters.

Blended Component Units

Blended component units are separate legal entities whose governing body is the same or substantially the same as the County or the component unit provides services entirely to the County. These component unit's funds are blended into those of the County's by appropriate activity type to compose the primary government.

Jeff Davis County Appraisal District - The Jeff Davis County Appraisal District (the Appraisal District) is considered a blended component unit since the Appraisal District has the same governing body and the Appraisal District provides services to Jeff Davis County.

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, display information for the reporting entity as a whole. They include all funds of the reporting entity. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include:

1. charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and;
2. operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total of all funds of that category or type; and
- b. Total assets, liabilities, revenues, expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The following major funds are used by the County:

General Fund

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Road and Bridge Fund

The Road and Bridge Fund is used to account for funds for use in improving the County highways and lateral streets and roadways. Funding is provided by auto registration fees.

Non-major Governmental Funds

The funds account for revenues derived from earmarked revenue sources that are assigned to expenditures for a specific purpose.

D. Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus as defined below. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. The funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the Statement of Net Position and the Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified-accrual basis of accounting. Under this modified-accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The County considers all revenues available if they are collectible within 60 days after year-end.

Budgetary Control

In accordance with state law, during August, the County Judge must submit to the Commissioner’s Court a budget to cover all proposed expenditures of the County

for the succeeding year. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with the original and revised estimates for the current year and the actual data for the preceding year.

The Commissioner's Court shall hold a public hearing on the proposed budget. The hearing date shall be set after the 15th day of the month following in which the budget was prepared, but before the date on which taxes are levied by the Court.

On final approval of the budget by the Commissioner's Court, the Court shall file the budget with the County Clerk. Formal budgetary integration is employed as a management control device during the year for all fund types. The budgets differ from generally accepted accounting principles in that appropriation lapse at year-end. No encumbrances are recorded.

Budgeted amounts are as originally adopted or as amended by the Commissioner's Court. There were no amendments to the budgets during the fiscal year.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

E. Assets, Liabilities, and Equity

Cash and investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes all demand, savings accounts, and certificates of deposits of the County. Investments are reported at fair value which is determined using selected basis. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems are not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowance for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes, sales and use taxes, franchise taxes, grants, police fines, and ambulance fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and

available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to December 31, 2004. Prior to July 1, 2004, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 2004) have been valued at estimated historical value. The County's other major infrastructure network, bridges, has not yet been reported. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of

Estimated useful life by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery & equipment	3-20 years
Utility systems	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets include cash and investments of the governmental funds that are legally restricted as to their use. The primary restricted assets are related to amounts being held as deferred revenues from ad valorem taxes and amounts legally required to be held separate by the District and County Clerk.

Long-term Obligations

The long-term obligations in the government-wide statements consists primarily of accrued compensated absences. Long-term obligations for the governmental funds is not reported as liabilities in the fund financial statements.

Compensated Absences

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a long-term obligation in the government-wide statements. The current portion of this obligation is an estimate based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable financial resources.

Equity Classifications

Government-wide Statements

Equity is classified as net position in the Government-wide Statements and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – Consists of net position with constraints placed on their use either by:
 - a. external groups such as creditors, grantors, contributors or laws or regulations of other governments, or;
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

The County has adopted the fund balance classifications prescribed by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which displays fund balance in the fund statements in five components:

1. Non-spendable fund balance - classification includes amounts that cannot be spent because they are either
 - a. not in spendable form, or;

- b. legally or contractually required to be maintained intact.
- 2. Restricted fund balance - classification includes funds with constraints placed on the use of resources are either
 - a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or;
 - b. Imposed by law through constitutional provisions or enabling legislation.
- 3. Committed fund balance - include amounts that can only be used for specific purposes pursuant to constraints imposed by court resolution/formal action of the Commissioners' Court which is the government's highest level of decision-making authority.
- 4. Assigned fund balance - include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by
 - a. the Commissioners' Court action, or;
 - b. by a County Judge who is the official delegated by the Commissioners' Court with the authority to assign amounts to be used for specific purposes.
- 5. Unassigned fund balance - the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For the classification of fund balances the County considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and the County considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The County has not formally adopted a minimum fund balance policy; however, in practice deficit special revenue funds are classified as unassigned since the deficits are typically paid through pooled cash overdraft.

Revenues and Expenditures

Property Tax

Property tax is levied each October 1st on the assessed (appraisal) value listed as of the prior January 1st for all real and business personal property located in the County. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Commissioner's Court. Appraisal values are established by the Appraisal Board at 100% of estimated fair market value.

Taxes are due on October 1st, the levy date, and are delinquent after the following January 31st. Tax liens are automatic on February 1st of each year. The tax lien is part of a law suit for property that can be filed any time after taxes become delinquent (February 1st). The County usually waits until after July 1st to file suits on real estate property. As of July 1st, 15% collection costs may be added to all delinquent accounts.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Taxes collected for the levy date, October 1st, through December 31st are not recognized as revenue until January 1st of the following year. From January 1st on revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with *Generally Accepted Accounting Principles* have been recognized as revenues.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the County on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the County must be reviewed at least every three years; however, the County may, at its own expense, require annual reviews of appraisal values. The County may challenge appraised values established by the Appraisal District through various appeals, and, if necessary, legal action. Under this legislation the Appraisal District continues to set tax rates on County property. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year. The combined tax rate to finance governmental services was \$.655621 per \$100 of taxable valuation.

Delinquent Taxes Receivable

Delinquent taxes are prorated between the general fund, road & bridge and farm to market lateral road funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General, Road & Bridge and Farm to Market Lateral Road Funds and are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Expenditures / Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities and the Governmental Funds Revenues, Expenditures, and Changes in Fund Balances, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The County's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at December 31, 2019. At year end, the carrying amount of the County's deposits was a balance of \$5,405,102 and were considered collateralized as Category 2 custodial credit risks. Of the total bank balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC).

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptance, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the *Public Funds Investment Act*, the County has adopted a deposit and investment policy. That policy addresses the following risks:

1. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that eligible securities for collateralization are those securities defined as eligible securities by the Public Funds Collateral Act. The County requires monthly reports with market value of pledged securities and requires the investment officer to monitor adequacy of collateralization levels to verify market values and total collateral positions. The County was not exposed to any custodial credit risk.
2. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County is collateralized with a security that is pledged to the County but is not owned by the County. The security is municipal bonds in the amount of \$5,644,333 that are pledged to the County.
3. Interest-rate Risk - Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The County does not purchase or sell debt securities and invests only with the designated bank depository and as such does not have a policy that addresses this issue.
4. Other Credit Risk Exposure - The County does not have a policy regarding investment in debt securities held either directly or indirectly because the County does not invest in this type security, securities of the U.S. government or of agencies guaranteed by the U.S. government. The County does invest in a public funds investment pool as permitted by Government code 2256.016.
5. Concentration Risk - The County invests only in securities back by the U.S. Government and thus does not have a policy regarding a concentration of credit risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of net taxes receivable. The receivable totaled \$801,058 of which \$600,276 related to the current tax roll and \$200,782 related to the delinquent tax roll. An additional \$46,805 is recognized as a receivable in the Hotel / Motel tax fund for the amounts due relating to the Hotel / Motel tax for the fourth quarter of 2019.

4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2019, were as follows:

	Balance at 12/31/2018	Additions	Reclass and Deletions	Balance at 12/31/2019
Work-in-Progress	\$ 290,845	\$ -	\$ -	\$ 290,845
Buildings	5,573,451	-	-	5,573,451
Machinery and Equipment	3,342,537	-	-	3,342,537
Totals at Historical Cost	<u>9,206,833</u>	<u>-</u>	<u>-</u>	<u>9,206,833</u>
Accumulated Depreciation	(6,409,447)	(258,357)	-	(6,667,804)
Total Accumulated Depreciation	<u>(6,409,447)</u>	<u>(258,357)</u>	<u>-</u>	<u>(6,667,804)</u>
Capital Assets, Net	<u>\$ 2,797,385</u>	<u>\$ (258,357)</u>	<u>\$ -</u>	<u>\$ 2,539,028</u>

Depreciation expense for the current year was \$258,357 compared to the prior year amount of \$261,549.

5. COMPENSATED ABSENCES

The County's vacation policy provides for certain accumulation which upon termination, must be paid to the employee. Other absences are not subject to payment upon termination. The total amount recognized as compensated absences at December 31, 2019 was immaterial to the financial statements.

6. RETIREMENT PLAN

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Jeff Davis County can retire at age 60 and above with ten or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after ten years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLA's. Ad hoc post-employment benefit changes, including ad hoc COLA's, can be granted by the County Commissioners within certain guidelines.

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the county is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The rate the County contributed for the months of the accounting year in 2017 and 2018 were 7% and 7% respectively. The deposit rate payable by the employee members for the calendar year 2017 and 2018 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended September 30, 2018 were \$65,427.

Actuarial Assumptions

The total pension asset at December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0 Years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return	8.00%
Salary increases	4.9%

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012. The mortality assumptions were updated in 2015, all other assumptions and methods are the same as used in the prior valuation.

Discount Rate

The discount rate used to measure the total pension asset was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20 – year closed layered periods.
- 2) Under the TCRDS Act, the employer is legally required to make the contribution specified in the funding policy
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by .10% to be gross of administrative expenses.

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's investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 to

December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Target Allocation*	Geometric Real Rate of Return (expected minus Inflation) **
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	5.30%
Hedge Funds	13.00%	3.90%
	<u>100.00%</u>	

* Target asset allocation adopted at the April 2019 TCDRS Board Meeting

** Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70 %, per Cliffwater's 2018 capital market assumptions.

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

At December 31, 2019, the County reported a net pension asset of \$163,522 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2018. For the year ended December 31, 2019, the County recognized pension expense of \$104,491.

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

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension asset for the measurement year ended December 31, 2018 are as follows:

Changes in the Net Pension Liability / (Asset)

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2017	\$ 2,817,289	\$ 3,214,723	\$ (397,434)
Changes for this year:			
Service Cost	114,753		114,753
Interest on Total Pension Liability *	230,526		230,526
Effect of Plan Changes	-		-
Effect of Economic/Demographic Gains or Losses	(58,992)		(58,992)
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	(26,523)	(26,523)	-
Benefit Payments	(148,974)	(148,974)	-
Administrative Expenses		(2,483)	2,483
Member Contributions		65,427	(65,427)
Net Investment Income		(60,545)	60,545
Employer Contributions		65,427	(65,427)
Other		(15,450)	15,450
	<u>\$ 2,928,079</u>	<u>\$ 3,091,602</u>	<u>\$ (163,522)</u>

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

** Relates to allocation of system-wide items

Discount Rate Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 3,215,075	2,928,079	2,679,413
Fiduciary Net Pension	3,091,602	3,091,602	3,091,602
Net Pension Liability / (Asset)	<u>\$ 123,473</u>	<u>\$ (163,523)</u>	<u>\$ (412,189)</u>

At December 31, 2019 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 39,328	\$ 2,143
Changes of Assumptions	-	7,345
Net Difference Between Projected and Actual Earnings	-	190,972
Contributions Made Subsequent to Measurement Date	n/a	62,702
	<u>\$ 39,328</u>	<u>\$ 263,162</u>

\$62,702 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a

reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$	59,883
2020		10,768
2021		26,789
2022		63,692
2023		-
thereafter		-
	\$	<u>161,132</u>

7. COMMITMENTS AND CONTINGENT LIABILITIES

The County participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

8. RISK POOL

The County became a participant in an intergovernmental risk pool on October 1, 1996, for its worker’s compensation and property insurance. Participants in this pool are required to pay “premiums” on the insurance selected. Should a loss occur, the County is liable only for the deductible portion. The risk pool purchases reinsurance to cover future losses. The County is not liable for future claims and, therefore, no liability has been accrued at December 31, 2019.

9. RESTRICTED NET POSITION

The County reserves a portion of the net position for a specific future use. Restricted net position amounts were all in the special revenue funds and could be used only for a specified purpose and were not available to meet the general obligations of the County. Restricted net position at December 31, 2019 amounted to \$867,895.

10. 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, injuries to employees; and natural disasters. The County maintains insurance policies acquired from independent insurance carriers covering structural property, dishonesty, errors, and omissions, personal property and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

11. RELATED PARTY TRANSACTIONS

From time to time the County may enter into transactions with related parties through the normal course of business. If a member of the Commissioners Court has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred for the year ended December 31, 2019.

13. SUBSEQUENT EVENTS

In preparing the financial statements the management of the Jeff Davis County, Texas has evaluated events and transactions for potential recognition or disclosure through April 9, 2021, the date the financial statements were issued. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date that would require adjustment to or further disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JEFF DAVIS COUNTY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Years Ended December 31,

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 114,753	\$ 129,224	\$ 122,114	\$ 98,228	\$ 107,660
Interest on Total Pension Liability	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) or loss	(58,992)	6,427	7,013	(20,397)	(53,071)
Benefit Payments/Refunds of Contributions	(175,497)	(155,551)	(155,111)	(130,135)	(57,515)
Net Change in Total Pension Liability	<u>110,790</u>	<u>217,043</u>	<u>169,589</u>	<u>150,293</u>	<u>170,004</u>
Total Pension Liability, Beginning	2,817,289	2,600,246	2,430,657	2,280,364	2,110,360
Total Pension Liability, Ending (a)	<u>\$ 2,928,079</u>	<u>\$ 2,817,289</u>	<u>\$ 2,600,246</u>	<u>\$ 2,430,657</u>	<u>\$ 2,280,364</u>
Fiduciary Net Position					
Employer Contributions	65,427	65,237	71,078	64,197	63,041
Member Contributions	65,427	65,387	71,078	64,197	63,041
Investment Income net of Investment Expenses	(60,545)	412,612	195,523	16,981	187,669
Benefit Payments/Refunds of Contributions	(175,497)	(155,551)	(155,111)	(130,135)	(57,515)
Administrative Expenses	(2,483)	(2,138)	(2,126)	(1,901)	(1,953)
Other	(15,450)	(354)	5,651	(7,725)	(48,104)
Net Change in Fiduciary Net Position	<u>(123,121)</u>	<u>385,193</u>	<u>186,093</u>	<u>5,615</u>	<u>206,178</u>
Fiduciary Net Position, Beginning	3,214,723	2,829,530	2,643,437	2,637,822	2,431,644
Fiduciary Net Position, Ending (b)	<u>\$ 3,091,602</u>	<u>\$ 3,214,723</u>	<u>\$ 2,829,530</u>	<u>\$ 2,643,437</u>	<u>\$ 2,637,822</u>
Net Pension Liability / (asset), ending = (a) - (b)	<u>\$ (163,522)</u>	<u>\$ (397,434)</u>	<u>\$ (229,284)</u>	<u>\$ (212,780)</u>	<u>\$ (357,458)</u>
Fiduciary Net Position as a % of Total Pension Liability	105.58%	114.11%	108.82%	108.75%	115.68%
Pensionable Covered Payroll	\$ 934,669	\$ 931,961	\$ 1,015,401	\$ 917,097	\$ 900,581
Net Pension Liability as a % of Covered Payroll	-17.50%	-42.64%	-22.58%	-23.20%	-39.69%

JEFF DAVIS COUNTY, TEXAS
Schedule of Employer Contributions
Years Ended December 31,

Fiscal Year Ending	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered
2009	25,730	40,934	(15,204)	584,773	7.0%
2010	39,692	54,479	(14,787)	778,268	7.0%
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	(23,113)	931,961	7.0%
2018	41,499	65,427	(23,929)	934,673	7.0%

JEFF DAVIS COUNTY, TEXAS
Notes to the Schedule of Employer Contributions
For the Year Ended December 31, 2019

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Health Annuity Mortality Table for males and 110% of the RP-2014 Health Annuity Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions *	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the schedule 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

OTHER SUPPLEMENTARY INFORMATION

JEFF DAVIS COUNTY, TEXAS
Combining Balance Sheet
Non-major Governmental Funds
December 31, 2019

	Library and Union Building Fund	County Attorney Hot Check Fund	Emergency Services District	Law Library Fund	Records Management Fund	Courthouse Security Fund	Hotel / Motel Tax Fund	Total
Assets								
Cash and Cash Equivalents	\$ 101,991	\$ 1,306	\$ 168,811	\$ 10,778	\$ 103,712	\$ 28,911	\$ -	\$ 415,508
Restricted Cash	-	-	-	-	-	-	85,080	85,080
Receivables, net	-	-	-	-	-	-	46,805	46,805
Total Assets	\$ 101,991	\$ 1,306	\$ 168,811	\$ 10,778	\$ 103,712	\$ 28,911	\$ 131,885	\$ 547,393
Fund Balance								
Restricted Fund Balance	-	-	-	-	-	-	131,885	131,885
Assigned Fund Balance	101,991	1,306	168,811	10,778	103,712	28,911	-	415,508
Total Fund Balance	101,991	1,306	168,811	10,778	103,712	28,911	131,885	547,393
Total Liabilities and Fund Balance	\$ 101,991	\$ 1,306	\$ 168,811	\$ 10,778	\$ 103,712	\$ 28,911	\$ 131,885	\$ 547,393

JEFF DAVIS COUNTY, TEXAS
Combining Statement of Revenues, Expenditures and Changes in
Fund Balance - Non-major Governmental Funds
For the Year Ended December 31, 2019

	Library and Union Building Fund	County Attorney Hot Check Fund	Emergency Services District	Law Library Fund	Records Management Fund	Courthouse Security Fund	Hotel / Motel Tax Fund	Total
Revenues								
Charges for Services	\$ 102	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ -	\$ 662
Taxes								
Hotel / Motel Tax	-	-	-	-	-	-	243,560	243,560
Miscellaneous Revenues	-	-	154,728	-	20,947	3,663	-	179,338
Total Revenues	102	-	154,728	560	20,947	3,663	243,560	423,560
Expenditures								
Emergency Management Services	-	-	147,290	-	-	-	-	147,290
Non-Departmental	-	-	-	-	-	-	238,526	238,526
Total Expenditures	-	-	147,290	-	-	-	238,526	385,817
Excess (Deficiency) of Revenues Over (Under) Expenditures	102	-	7,437	560	20,947	3,663	5,034	37,743
Transfers	-	-	(253,000)	-	-	-	-	(253,000)
Change in Fund Balance	102	-	(245,563)	560	20,947	3,663	5,034	(215,257)
Beginning Fund Balance, restated	101,889	1,306	414,373	10,218	82,766	25,248	126,851	762,650
Ending Fund Balance	\$ 101,991	\$ 1,306	\$ 168,811	\$ 10,778	\$ 103,712	\$ 28,911	\$ 131,885	\$ 547,393

JEFF DAVIS COUNTY, TEXAS
Combining Balance Sheet
Non-major Special Revenue Funds
December 31, 2019

	Stonegarden Grant	JAG Grant	Body Armor Grant	Small Grants & Restricted Funds	Other Restricted Funds	TCDP Grant	Historic Fund	Ambulance Donations	Total
Assets									
Restricted Cash	\$ -	\$ -	\$ 20,758	\$ 31,278	\$ 34,143	\$ -	\$ 90,960	\$ 17,441	\$ 194,581
Total Assets	\$ -	\$ -	\$ 20,758	\$ 31,278	\$ 34,143	\$ -	\$ 90,960	\$ 17,441	\$ 194,581
Liabilities									
Current Liabilities									
Accounts Payable	\$ 1,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,317
Total Liabilities	1,317	-	-	-	-	-	-	-	1,317
Fund Balance									
Restricted Fund Balance	(1,317)	-	20,758	31,278	34,143	-	90,960	17,441	193,264
Total Fund Balance	(1,317)	-	20,758	31,278	34,143	-	90,960	17,441	193,264
Total Liabilities and Fund Balance	\$ 0	\$ -	\$ 20,758	\$ 31,278	\$ 34,143	\$ -	\$ 90,960	\$ 17,441	\$ 194,581

JEFF DAVIS COUNTY, TEXAS
Combining Statement of Revenues, Expenditures and Changes in
Fund Balance - Non-major Special Revenue Funds
For the Year Ended December 31, 2019

	Stonegarden Grant	JAG Grant	Body Armor Grant	Smal Grants & Restricted Funds	Other Restricted Funds	TCDP Grant	Historic Fund	Ambulance Donations	Total
Revenues									
Operating Grants and Contributions	\$ 163,425	\$ -	\$ 53,000	\$ -	\$ -	\$ 213,854	\$ -	\$ -	\$ 430,280
Donations	-	-	-	-	-	-	-	17	17
Miscellaneous Revenues	-	-	-	-	-	-	284	-	284
Total Revenues	163,425	-	53,000	-	-	213,854	284	17	430,581
Expenditures									
Sheriff	165,381	-	42,242	-	-	-	-	-	207,623
Non-Departmental	-	-	-	-	-	213,854	-	-	213,854
Total Expenditures	165,381	-	42,242	-	-	213,854	-	-	421,478
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,955)	-	10,758	-	-	-	284	17	9,104
Transfers	14,837	4,374	(10,000)	(31,278)	(34,143)	-	10,000	-	(46,211)
Change in Fund Balance	12,881	4,374	758	(31,278)	(34,143)	-	10,284	17	(37,107)
Beginning Fund Balance, restated	(14,198)	(4,374)	20,000	62,557	68,287	-	80,676	17,424	230,371
Ending Fund Balance	\$ (1,317)	\$ -	\$ 20,758	\$ 31,278	\$ 34,143	\$ -	\$ 90,960	\$ 17,441	\$ 193,264