

Pecos County, Texas

Annual Financial Report

For the Year Ended December 31, 2018

Pecos County, Texas
 Annual Financial Report
 For the Year Ended December 31, 2018
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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprises 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 did not audit the financial statements of the Pecos County Memorial Hospital, an enterprise fund, which represents 100 percent of the assets, net position and revenues and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pecos County Memorial Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Judge and
Members of the Commissioners Court
Pecos County, Texas

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas, as of December 31, 2018, and the respective changes in financial position and where applicable the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended December 31, 2018, the County implemented Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated as a result of the implementation of this statement. Also, as discussed in Note 16 to the financial statements, the beginning fund balance has been restated as a result of a correction of error in under reported grant revenue. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 financial statements. The combining nonmajor governmental fund financial statements, combining special revenue fund financial statements and the combining fiduciary agency fund statement of assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Judge and
Members of the Commissioners Court
Pecos County, Texas

The combining nonmajor governmental fund financial statements, the combining special revenue fund financial statements and the combining fiduciary agency fund statement of assets and liabilities 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 nonmajor governmental fund financial statements, the combining special revenue fund financial statements, the combining fiduciary agency fund statement of assets and liabilities, and the schedule of expenditures of federal and state awards 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 August 12, 2019, on our consideration of Pecos County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pecos County, Texas' internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
August 12, 2019

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Management's Discussion and Analysis

As management of Pecos County, Texas (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 17.

Financial Highlights

- The assets and deferred outflows of the County was less than its liabilities and deferred inflows at the close of the most recent year by \$3,960,764 (*net deficit position*). A deficit of \$47,150,794 is report for unrestricted net position.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$26,158,843 an increase of \$634,149 in comparison with the prior year. Approximately 53.6% of this total amount, \$14,026,689, is unassigned and *available for spending* at the government's discretion.
- At the end of the current year, unassigned fund balance for the general fund was \$14,026,689 or 75% percent of total general fund expenditures.
- The County's total capital lease debt increased by \$223,647 during the current year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of Pecos 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 government wide financial statements can be found on pages 17 through 19 of this report.

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

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

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

The County maintains three governmental fund types. 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 and bridge fund, and the debt service fund, which are considered to be major funds. All other special revenue funds and capital project funds are considered nonmajor governmental funds and are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements as other supplemental information elsewhere in this report.

The governmental fund financial statements can be found on pages 20 through 26 of this report.

The County adopts an annual appropriated budget for its general fund and road and bridge fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with this budget on pages 69 through 79.

Proprietary Funds: The County maintains two 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 Pecos County Memorial Hospital fund, formerly presented as a discretely presented component unit, is now presented as an enterprise fund of the County. The Pecos County Memorial Hospital fund is considered a major fund of the County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27 through 30 of this report.

Fiduciary Funds: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements can be found on page 31 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 34 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information for budgetary data. Combining fund statements can be found on pages 82 through 97.

Government-Wide Financial Analysis

As noted earlier, net position (deficient) may serve over time as a useful indicator of a government’s financial position. In the case of the County, liabilities exceeded assets by \$3,960,764 at the close of the most recent year. The County’s investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is outstanding is 842% more than the County’s total net position.

The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Pecos County, Texas
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 51,166,140	\$ 54,120,967	\$ 4,698,418	\$ 2,752,485	\$ 55,864,558	\$ 56,873,452
Capital assets	21,054,367	20,474,884	13,938,744	14,258,349	34,993,111	34,733,233
Total assets	72,220,507	74,595,851	18,637,162	17,010,834	90,857,669	91,606,685
Total deferred outflows of resources	3,161,147	1,487,542	3,397,301	1,607,053	6,558,448	3,094,595
Long-term liabilities outstanding	31,582,656	34,533,333	23,366,930	28,877,359	54,949,586	63,410,692
Other liabilities	8,195,299	5,445,217	9,051,201	5,839,280	17,246,500	11,284,497
Total liabilities	39,777,955	39,978,550	32,418,131	34,716,639	72,196,086	74,695,189
Total deferred inflows of resources	20,736,508	23,060,435	572,813	906,420	21,309,321	23,966,855
Net position:						
Net investment in capital assets	21,054,367	20,251,237	13,741,990	13,110,706	34,796,357	33,361,943
Restricted	9,358,910	9,828,087	-	-	9,358,910	9,828,087
Unrestricted	(15,546,086)	(17,034,916)	(24,698,471)	(30,115,878)	(40,244,557)	(47,150,794)
Total net position (deficit)	\$ 14,867,191	\$ 13,044,408	\$ (10,956,481)	\$ (17,005,172)	\$ 3,910,710	\$ (3,960,764)

A significant portion of the County’s net position, \$9,828,087, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$47,150,794.

Governmental and Business-Type Activities

Governmental activities and business-type activities decreased the County's net position by \$1,932,201 and \$3,257,047, respectively. Key elements of this decrease are as follows:

Pecos County, Texas Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenues:						
Charges for services	\$ 4,372,305	\$ 4,521,914	\$ 21,606,021	\$ 22,735,017	\$ 25,978,326	\$ 27,256,931
Operating grants and contributions	1,835,761	1,750,916	853,760	246,889	2,689,521	1,997,805
Capital grants and contributions	-	-	28,930	105,129	28,930	105,129
General revenues:						
Property taxes	17,313,494	21,021,697	-	-	17,313,494	21,021,697
Alcoholic beverage taxes	28,312	30,588	-	-	28,312	30,588
Investment earnings	330,191	674,144	16,467	29,966	346,658	704,110
Payment in lieu of taxes	1,295,301	1,283,194	-	-	1,295,301	1,283,194
Proceeds from settlement	34,171	88,659	-	-	34,171	88,659
Proceeds from sales of assets	33,704	14,912	-	-	33,704	14,912
Other	865,054	179,377	-	-	865,054	179,377
Total revenues	26,108,293	29,565,401	22,505,178	23,117,001	48,613,471	52,682,402
Expenses						
General government	4,676,123	4,811,720	-	-	4,676,123	4,811,720
Judicial	2,885,018	2,539,049	-	-	2,885,018	2,539,049
Financial administration	1,596,749	1,738,341	-	-	1,596,749	1,738,341
Public facilities	1,662,957	1,048,895	-	-	1,662,957	1,048,895
Public safety	6,666,377	5,844,100	-	-	6,666,377	5,844,100
Public service	758,016	781,854	-	-	758,016	781,854
Health and welfare	3,013,772	2,989,806	-	-	3,013,772	2,989,806
Culture and recreation	3,521,116	2,876,926	-	-	3,521,116	2,876,926
Highways and streets	3,721,738	3,278,923	-	-	3,721,738	3,278,923
Conservation	456,289	655,998	-	-	456,289	655,998
Airport	19,735	-	-	-	19,735	-
Pecos County Memorial Hospital	-	-	31,430,914	31,306,038	31,430,914	31,306,038
Total expenses	28,977,890	26,565,612	31,430,914	31,306,038	60,408,804	57,871,650
Change in net position:						
Before transfers	(2,869,597)	2,999,789	(8,925,736)	(8,189,037)	(11,795,333)	(5,189,248)
Transfers	(4,836,026)	(4,931,990)	4,836,026	4,931,990	-	-
Change in net position	(7,705,623)	(1,932,201)	(4,089,710)	(3,257,047)	(11,795,333)	(5,189,248)
Net position - beginning, as previously stated	22,572,814	14,867,191	(6,866,771)	(10,956,481)	15,706,043	3,910,710
Change in accounting principle and correction of error	-	109,418	-	(2,791,644)	-	(2,682,226)
Net position - beginning of year, as restated	22,572,814	14,976,609	(6,866,771)	(13,748,125)	15,706,043	1,228,484
Net position, ending	\$ 14,867,191	\$ 13,044,408	\$ (10,956,481)	\$ (17,005,172)	\$ 3,910,710	\$ (3,960,764)

Financial Analysis of the Governments 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 Pecos County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$26,158,843, an increase of \$634,149 in comparison with the prior year. Approximately 53.6% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to cover debt service, inventory, and revenues restricted for airport use generated from airport assets.

The general fund is the chief operating fund of the County. At the end of the current year, unassigned fund balance of the general fund was \$14,026,689, while total fund balance was \$23,899,029.

Road and Bridge Fund. This fund is used to account for funds restricted for use in improving County highways and lateral streets and roadways.

Debt Service Fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Financing is provided by property tax levies.

Proprietary Funds: Unrestricted fund deficit of the County's enterprise fund, Pecos Memorial Hospital at the end of the year was a deficit of \$27,883,978. The remainder of the fund balance is net investment in capital assets. The change in net position for the fund was a decrease of \$3,219,897. Unrestricted fund balance of the County's health self-insurance plan at the end of the year was \$111,978. The change in unrestricted net position for the fund was decrease of \$72,317.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Actual revenues for 2018 were \$1,142,060 more than final budgeted revenues.
- Actual expenditures for 2018 were \$1,384,862 less than the final amended budget.

This resulted in a net increase in the general fund balance for the year of \$488,907 after accounting for other financing sources as detailed on page 24 of this report.

Capital Asset and Debt Administration

Capital Assets: The County's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$34,733,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and other improvements.

Pecos County, Texas
Capital Assets
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Land	\$ 1,345,948	\$ 1,345,948	\$ 85,649	\$ 85,649	\$ 1,431,597	\$ 1,431,597
Buildings	11,555,437	11,153,632	11,429,503	10,737,472	22,984,940	21,891,104
Improvements - other	1,817,176	2,956,470	109,017	96,576	1,926,193	3,053,046
Machinery and equipment	5,029,462	3,360,023	1,041,833	1,177,845	6,071,295	4,537,868
Construction in progress	982,716	1,141,065	-	-	982,716	1,141,065
Infrastructure	323,628	264,453	-	-	323,628	264,453
Leased assets	-	253,293	208,257	1,139,996	208,257	1,393,289
Capitalized interest	-	-	1,064,485	1,020,811	1,064,485	1,020,811
Net capital assets	\$ 21,054,367	\$ 20,474,884	\$ 13,938,744	\$ 14,258,349	\$ 34,993,111	\$ 34,733,233

Additional information on the County's capital assets can be found in Note 6 on pages 49 through 50 of this report.

Long-term debt: At the end of the current year, the County had no bonded debt outstanding. At the end of the year, the County had \$223,647 in capital lease debt. The County's debt is comprised as follows:

	Governmental Activities	
	2017	2018
Capital lease	\$ -	\$ 223,647
Compensated absences	1,192,671	1,324,516
Other post-employment benefits obligation	32,054,930	33,721,977
TCDRS OPEB	463,100	502,851
Total governmental activities	\$ 33,710,701	\$ 35,772,991

	Business-type Activities	
	2017	2018
Capital lease obligation	196,754	1,147,643
Compensated absences	1,291,564	1,445,245
Other post-employment benefits obligation	25,497,754	27,194,830
TCDRS OPEB	507,119	550,649
Total business-type activities	\$ 27,493,191	\$ 30,338,367

Additional information on Pecos County's long-term debt can be found in Note 8 on pages 51 through 52.

Economic Factors and Next Year's Budgets and Rates

Pecos County's tax based reached a low point in the 2016 tax year (2017 budget year) and is now growing again as the oil and gas industry in the region has picked back up. The Commissioners' court continues to monitor economic conditions and prepare for the future. At this point, 2018 and 2019 property tax values increased and 2020 is expected to be back to levels prior to the 2016 downturn. The Court is optimistic for the future and is actively working with other industries, solar in particular, to bring additional investment opportunities into Pecos County.

Requests for Information

This financial report is designed to provide a general overview of Pecos County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Pecos, 103 W Callaghan, Fort Stockton, Texas 79735.

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Basic Financial Statements

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Pecos County, Texas
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,431,831	\$ 1,784,326	\$ 21,216,157
Investments	16,176,402	-	16,176,402
Receivables, net	16,106,448	2,801,787	18,908,235
Internal balances	2,406,286	(2,406,286)	-
Other assets	-	572,658	572,658
Capital assets, net	20,474,884	14,258,349	34,733,233
Total assets	74,595,851	17,010,834	91,606,685
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	1,455,022	1,571,441	3,026,463
Deferred outflows of resources - TCDRS OPEB	32,520	35,612	68,132
Total deferred outflows of resources	1,487,542	1,607,053	3,094,595
LIABILITIES			
Accounts payable and other current liabilities	1,199,599	1,583,481	2,783,080
Due to other governments	197,650	-	197,650
Estimated health claims payable	392,514	-	392,514
Net pension liability	2,415,796	2,794,791	5,210,587
TCDRS obligation	502,851	550,649	1,053,500
Noncurrent liabilities:			
Due within one year	736,807	910,359	1,647,166
Due in more than one year	34,533,333	28,877,359	63,410,692
Total liabilities	39,978,550	34,716,639	74,695,189
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	22,274,487	-	22,274,487
Deferred inflows related to pension	784,607	904,952	1,689,559
Deferred inflows related to TCDRS OPEB	1,341	1,468	2,809
Total deferred inflows of resources	23,060,435	906,420	23,966,855
NET POSITION			
Net investment in capital assets	20,251,237	13,110,706	33,361,943
Restricted for:			
Airport	7,574,407	-	7,574,407
Road and bridge	538,718	-	538,718
Federal and state grants	360,819	-	360,819
Legislation	1,354,143	-	1,354,143
Unrestricted	(17,034,916)	(30,115,878)	(47,150,794)
TOTAL NET POSITION (DEFICIT)	\$ 13,044,408	\$ (17,005,172)	\$ (3,960,764)

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas
Statement of Activities
For the Year Ended December 31, 2018

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 4,811,720	\$ 869,775
Judicial	2,539,049	574,296
Financial administration	1,738,341	192,732
Public facilities	1,048,895	712,418
Public safety	5,844,100	186,472
Public service	781,854	2,336
Health and welfare	2,989,806	1,171,006
Culture and recreation	2,876,926	197,726
Highways and streets	3,278,923	589,995
Conservation	655,998	-
Airport		25,158
Total governmental activities	26,565,612	4,521,914
Business-type activities:		
Pecos County Memorial Hospital	31,306,038	22,735,017
Total business-type activities	31,306,038	22,735,017
TOTAL PRIMARY GOVERNMENT	\$ 57,871,650	\$ 27,256,931

The Notes to the Financial Statements are an integral part of these statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 456,480	\$ -	\$ (3,485,465)	\$ -	\$ (3,485,465)
-	-	(1,964,753)	-	(1,964,753)
-	-	(1,545,609)	-	(1,545,609)
-	-	(336,477)	-	(336,477)
1,084,930	-	(4,572,698)	-	(4,572,698)
97,386	-	(682,132)	-	(682,132)
23,680	-	(1,795,120)	-	(1,795,120)
88,436	-	(2,590,764)	-	(2,590,764)
4	-	(2,688,924)	-	(2,688,924)
-	-	(655,998)	-	(655,998)
-	-	25,158	-	25,158
1,750,916	-	(20,292,782)	-	(20,292,782)
246,889	105,129	-	(8,219,003)	(8,219,003)
246,889	105,129	-	(8,219,003)	(8,219,003)
\$ 1,997,805	\$ 105,129	(20,292,782)	(8,219,003)	(28,511,785)
General revenues:				
Property taxes		21,021,697	-	21,021,697
Alcoholic beverage taxes		30,588	-	30,588
Unrestricted investment earnings		674,144	29,966	704,110
Payment in lieu of property taxes		1,283,194	-	1,283,194
Proceeds from settlement		88,659	-	88,659
Proceeds from sales of assets		14,912	-	14,912
Miscellaneous revenue		179,377	-	179,377
Transfers		(4,931,990)	4,931,990	-
Total general revenues and transfers		18,360,581	4,961,956	23,322,537
Change in net position		(1,932,201)	(3,257,047)	(5,189,248)
Net position - beginning of year, as previously stated		14,867,191	(10,956,481)	3,910,710
Change in accounting principle and correction of error		109,418	(2,791,644)	(2,682,226)
Net position - beginning of year, as restated		14,976,609	(13,748,125)	1,228,484
NET POSITION - END OF YEAR		\$ 13,044,408	\$ (17,005,172)	\$ (3,960,764)

Pecos County, Texas
 Balance Sheet – Governmental Funds
 December 31, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 15,477,625
Investments	16,176,402
Receivables, net	
Property taxes	12,136,939
Other	2,216,675
Due from other funds	702,864
	<hr/>
TOTAL ASSETS	\$ 46,710,505
	<hr/> <hr/>
LIABILITIES	
Accounts payable	866,467
Due to other funds	228,478
Due to other governments	197,650
	<hr/>
Total liabilities	1,292,595
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property tax	19,740,929
Unavailable revenue - fines and forfeitures	1,411,674
Unavailable revenue - other revenues	366,278
	<hr/>
Total deferred inflows of resources	21,518,881
FUND BALANCE	
Restricted:	
Airport use	7,574,407
Road and bridge	-
Federal and state grants	-
Legislation	-
Assigned:	
Repairs from insurance proceeds	973,417
Compensated absences	1,324,516
Unassigned	14,026,689
	<hr/>
Total fund balances	23,899,029
	<hr/> <hr/>
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	\$ 46,710,505
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,698,908	\$ 1,801,607	\$ 18,978,140
-	-	16,176,402
1,457,194	-	13,594,133
-	60,540	2,277,215
-	-	702,864
<u>\$ 3,156,102</u>	<u>\$ 1,862,147</u>	<u>\$ 51,728,754</u>
83,826	\$ 141,051	\$ 1,091,344
-	-	228,478
-	-	197,650
83,826	141,051	1,517,472
2,533,558	-	22,274,487
-	-	1,411,674
-	-	366,278
2,533,558	-	24,052,439
-	-	7,574,407
538,718	-	538,718
-	360,819	360,819
-	1,354,143	1,354,143
-	6,134	979,551
-	-	1,324,516
-	-	14,026,689
538,718	1,721,096	26,158,843
<u>\$ 3,156,102</u>	<u>\$ 1,862,147</u>	<u>\$ 51,728,754</u>

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Pecos County, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 26,158,843

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. 20,474,884

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Consolidation of internal service fund activities related to the enterprise fund	\$	2,231,900	
Internal service fund net position		(111,978)	2,119,922

Certain assets, such as fines and fees receivable, are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. 1,777,952

Some assets, deferred outflows of resources, liabilities and deferred inflows of resources will not be recognized in the current period and therefore are not reported in the fund financial statements.

Net pension liability	\$	(2,415,796)	
TCDRS obligation		(502,851)	
Deferred outflows of resources - pensions		1,455,022	
Deferred inflows related to pension		(784,607)	
Deferred outflows of resources - TCDRS OPEB		32,520	
Deferred inflows related to TCDRS OPEB		(1,341)	(2,217,053)

Long-term liabilities, including bonds payable and related items, are not due and payable in the current period and therefore are not reported in the governmental funds. (35,270,140)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 13,044,408

Pecos County, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 18,705,698
Alcoholic beverage taxes	30,588
Fines and forfeitures	1,072
Intergovernmental	456,535
Charges for services	2,820,716
Payment in lieu of taxes	1,283,194
Royalties	53,769
Interest	666,271
Proceeds from settlement	88,659
Other	164,190
	<hr/>
Total revenues	24,270,692
EXPENDITURES	
General government	4,554,018
Judicial	2,020,086
Financial administration	1,305,147
Law enforcement	1,810,551
Corrections	1,039,893
Health and welfare	2,833,416
Fire protection	432,051
Culture and recreation	2,458,179
Libraries	464,841
Building maintenance	403,218
Utilities	615,939
Conservation	123,523
Public service	463,451
Airport	139,944
Highways and streets	-
Capital outlay	-
	<hr/>
Total expenditures	18,664,257
	<hr/>
Excess (deficiency) of revenues over expenditures	5,606,435
OTHER FINANCING SOURCES (USES)	
Sale of asset	14,912
Transfers from other funds	457,412
Transfers to other funds	(5,589,852)
	<hr/>
Total other financing (uses) sources	(5,117,528)
	<hr/>
Net change in fund balances	488,907
Fund balances - beginning of year, as previously stated	23,410,122
Prior period adjustment	-
	<hr/>
Fund balances - beginning of year, as restated	23,410,122
	<hr/>
FUND BALANCES - END OF YEAR	\$ 23,899,029
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,315,999	\$ -	\$ 21,021,697
-	-	30,588
-	6,791	7,863
129,408	1,224,044	1,809,987
589,995	766,348	4,177,059
-	-	1,283,194
-	-	53,769
-	7,873	674,144
-	-	88,659
-	15,187	179,377
<hr/>	<hr/>	<hr/>
3,035,402	2,020,243	29,326,337
-	-	4,554,018
-	127,884	2,147,970
-	-	1,305,147
-	15,900	1,826,451
-	1,493,363	2,533,256
-	40,005	2,873,421
-	-	432,051
-	-	2,458,179
-	-	464,841
-	-	403,218
-	-	615,939
-	-	123,523
-	230,084	693,535
-	-	139,944
2,942,289	-	2,942,289
56,389	4,489	60,878
<hr/>	<hr/>	<hr/>
2,998,678	1,911,725	23,574,660
<hr/>	<hr/>	<hr/>
36,724	108,518	5,751,677
-	-	14,912
-	(204)	457,208
-	204	(5,589,648)
<hr/>	<hr/>	<hr/>
-	-	(5,117,528)
<hr/>	<hr/>	<hr/>
36,724	108,518	634,149
501,994	1,373,836	25,285,952
-	238,742	238,742
<hr/>	<hr/>	<hr/>
501,994	1,612,578	25,524,694
<hr/>	<hr/>	<hr/>
\$ 538,718	\$ 1,721,096	\$ 26,158,843

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2018

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 634,149
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period net of disposition of capital assets.	(579,483)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,152,655)
Net changes in fines and forfeiture revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned, but unavailable revenues.)	424,602
Capital leases provide current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	(223,647)
Internal service funds are used by management to charge the costs of self-insurance in individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(35,167)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (1,932,201)</u>

Pecos County, Texas
Statement of Net Position
Proprietary Funds
December 31, 2018

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Pecos County Memorial Hospital Fund</u>	<u>Internal Service Fund</u>
ASSETS		
Cash and investments	\$ 1,784,326	\$ 453,691
Accounts receivable	2,801,787	235,100
Other assets	572,658	-
Capital assets, net	14,258,349	-
Total assets	<u>19,417,120</u>	<u>688,791</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	1,571,441	-
Deferred outflows of resources - TCDRS OPEB	35,612	-
Total deferred outflows of resources	<u>1,607,053</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,024,173</u>	<u>\$ 688,791</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,583,481	\$ 108,255
Due to County	174,386	-
Due to other funds	-	300,000
Estimated health claims payable	-	392,514
Net pension liability	2,794,791	-
TCDRS obligation	550,649	-
Noncurrent liabilities:		
Due within one year	910,359	-
Due in more than one year	28,877,359	-
Total liabilities	<u>34,891,025</u>	<u>800,769</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	904,952	-
Deferred inflows related to TCDRS OPEB	1,468	-
Total deferred inflows of resources	<u>906,420</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 35,797,445</u>	<u>\$ 800,769</u>
NET POSITION		
Net investment in capital assets	13,110,706	-
Unrestricted	(27,883,978)	(111,978)
TOTAL NET POSITION	<u>(14,773,272)</u>	<u>\$ (111,978)</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(2,231,900)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u>\$ (17,005,172)</u>	

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas
Statement of Revenues, Expenditures, and Changes
in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business -Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
OPERATING REVENUES		
Net patient service revenue	\$ 21,738,438	\$ -
Other revenue	996,579	-
Charges for service	-	5,756,197
Total operating revenues	22,735,017	5,756,197
OPERATING EXPENSES		
Operating expenses	29,987,464	-
Depreciation	1,250,484	-
Claims	-	4,829,188
Administration - health	-	1,156,870
Administration - dental	-	28,570
Administration - life	-	19,741
Total operating expenses	31,237,948	6,034,369
Operating loss	(8,502,931)	(278,172)
NON-OPERATING REVENUES (EXPENSES)		
Noncapital grants and contributions	100,000	-
Community benefit support	146,889	-
Intergovernmental expense	-	-
Interest earned on investments	29,966	5,855
Interest expense	(30,940)	-
Gain on disposal of assets	-	-
Total nonoperating (expenses) revenues	245,915	5,855
Loss before contributions and transfers	(8,257,016)	(272,317)
Capital grants and contributions	105,129	-
Transfers in	4,931,990	200,000
Total transfers	4,931,990	200,000
Change in net position	(3,219,897)	(72,317)
Net position - beginning of year	(8,761,731)	(39,661)
Change in accounting principle	(2,791,644)	-
Net position - beginning of year	(11,553,375)	(39,661)
NET POSITION, END OF YEAR	\$ (14,773,272)	\$ (111,978)
Reconciliation to government-wide statements of net assets:		
Change in net position	\$ (3,219,897)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund.	(37,150)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ (3,257,047)	

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients and third-party payers	\$ 24,373,454	\$ -
Other receipts and payments from operations, net	996,579	-
Receipts from participants	-	5,747,877
Operating expenses	(28,754,558)	(5,873,725)
Net cash used in operating activities	(3,384,525)	(125,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	29,966	5,855
Net cash provided by investing activities	29,966	5,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and contributions	105,129	-
Principal payments of long-term debt and notes payable	(108,091)	-
Interest payments on long-term debt and notes payable	(30,940)	-
County subsidy for capital activities	429,497	-
Purchase of capital assets	(511,109)	-
Net cash used in capital and related financing activities	(115,514)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	4,502,494	200,000
Noncapital gains and contributions	100,000	-
Net cash provided by noncapital financing activities	4,602,494	200,000
Net (decrease) increase in cash and investments	1,132,421	80,007
Cash and investments at beginning of year	651,905	373,684
CASH AND INVESTMENTS AT END OF YEAR	\$ 1,784,326	\$ 453,691

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas

Statement of Cash Flows – Continued

Proprietary Funds

For the Year Ended December 31, 2018

	Business-Type Activities <u>Pecos County Memorial Hospital Fund</u>	Governmental Activities <u>Internal Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (8,502,931)	\$ (278,172)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,250,484	-
Decreases (increases) to assets and deferred outflow:		
Accounts receivable	2,635,016	(8,320)
Other assets	(35,077)	-
Deferred outflow from pension liabilities	1,825,860	-
Increases and (decreases) to liabilities and deferred inflow:		
Accounts payable and accrued expenses	(1,574,238)	(151,462)
Due to other funds	(86,697)	200,000
Other posts employment benefits	1,697,076	-
Pension liability	(1,801,078)	-
TCDRS OPEB	719,772	-
Compensated absences	153,681	-
Health claims payable	-	112,106
Deferred inflow from pension liabilities	333,607	-
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,384,525)	\$ (125,848)

The Notes to the Financial Statements are an integral part of these statements.

Pecos County, Texas
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

	Agency Funds
ASSETS	
Cash	\$ 5,720,325
TOTAL ASSETS	<u>\$ 5,720,325</u>
LIABILITIES	
Accounts payable	\$ 18,411
Due to other governments	4,962,938
Due to beneficiaries	738,976
TOTAL LIABILITIES	<u>\$ 5,720,325</u>

The Notes to the Financial Statements are an integral part of these statements.

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Notes to the Financial Statements

Pecos County, Texas
Annual Financial Report
For the Fiscal Year Ended December 31, 2018
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Pecos County, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. General Statement

Pecos County, Texas (the County) performs all local government functions within its jurisdiction. The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to Pecos County, Texas. The County provides the following services to its citizens: public safety, health and welfare, public facilities, judicial and legal, election functions, public transportation through roads and bridges, and general and financial administrative services.

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

Generally accepted accounting principles require that the financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

In addition, GASB, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Pecos County, Texas

Notes to the Financial Statements

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

The component units discussed in this note are included in the County's reporting entity because of the nature and significance of their operational or financial relationships with the County.

- Blended Component Units: There are no blended component units.
- Discretely Presented Component Units: There were no discretely presented component units in 2018.

C. Government-Wide and Fund Financial Statements

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level whereas financial statements prior to GASB No. 34 focused on reporting by fund-type. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

The government-wide statement of activities identifies the relative financial burden of each of the County's functions (General, Judicial, Financial Administration, Public Facilities, Public Safety, Public Service, Health and Welfare, Cultural and Recreation, Highways and Streets, Conservation and Airport) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

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

Pecos County, Texas

Notes to the Financial Statements

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds (defined by GASB Statements), and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County's programs. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column.

The fund level statements for proprietary funds contain enterprise and internal service funds.

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

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

Governmental Funds

The County reports the following major governmental funds:

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

Road and Bridge Fund. The Road and Bridge Fund is a special revenue fund of the County. It is used to account for the expenditures of the four different precincts and for the highway and streets expenditures.

Debt Service Fund. The Debt Service Fund is used to account for the accumulation of resources that are legally restricted to expenditures for the specified purpose of the retirement of long-term debt, including debt principal, interest and related costs.

Additionally, the County reports the following non-major governmental fund types:

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

Capital Project Funds. The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Pecos County, Texas

Notes to the Financial Statements

Proprietary Funds

The County reports the following major proprietary funds:

Pecos County Memorial Hospital Enterprise Fund

The Hospital is operated under a Board of Directors, which is appointed by the elected county commissioners. The County's general fund subsidizes the Hospital as needed with a budgeted portion of the ad valorem tax revenue assessed by the County each year. The Hospital's funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Separate financial statements for the Hospital may be obtained by contacting the Pecos County Memorial Hospital.

In addition, the County reports the following health self-insurance fund as an internal service fund.

Health Self-Insurance Fund

Internal Service Funds. The County utilizes an Internal Service Fund to account for its health self-insurance plan. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the County. See Note 10 for additional discussion of the County's self-insurance plan.

Fiduciary Fund Type – Agency Funds

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

D. Measurement Focus and Basis of Accounting

Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Pecos County, Texas

Notes to the Financial Statements

In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Property taxes are levied on October 1 for the next calendar year. Special assessments due within the current fiscal period are recorded as revenue of the current period.

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

- General Fund – Ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.
- Special Revenue Funds – Federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.
- Debt Service Fund – Ad valorem taxes and interest.

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

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

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

E. Cash and Investments

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

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's cash deposits at December 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank.

Pecos County, Texas

Notes to the Financial Statements

F. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are cancelled and become available for future appropriation.

G. Property Taxes

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The County is permitted by the Municipal Finance Law of the state of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the state of Texas. The tax rate for the year ended December 31, 2018, including the portion budgeted for the retirement of long-term debt principal and interest for the general fund was \$0.6950 per \$100 valuation. The tax rate for the road and bridges fund was \$0.0980 per \$100 valuation. The total tax rate for all purposes was \$0.7930 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes.

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

H. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

I. Inventories

Inventories are stated at the lower cost or market using the first-in, first-out method. Inventories for all funds consist of expendable supplies held for consumption, and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

J. Capital Assets

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

Pecos County, Texas
Notes to the Financial Statements

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

Buildings	25-50	years
Improvements other than buildings	5-30	years
Machinery and equipment	5-30	years
Infrastructure	15-35	years

K. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County recognizes deferred inflows of resources under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Fund Balance

The County has adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the County classifies governmental fund balances effective with its financial statements as follows:

1. Nonspendable Fund Balance:

Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items. At December 31, 2018 the County had \$0 nonspendable fund balance.

Pecos County, Texas

Notes to the Financial Statements

2. Spendable Fund Balance:

a. *Restricted Fund Balance*

Includes amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or other governments' laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation. Examples include federal and state grant programs, taxes restricted for retirement of long-term debt, and specific bond proceeds. In addition, certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted.

b. *Committed Fund Balance*

Includes amounts constrained to specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The commissioners' court must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. The County has no committed fund balances.

c. *Assigned Fund Balance*

Includes amounts intended to be used by the County for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. The County has delegated to the County Judge and County Auditor the ability to determine and define the amounts of those components of fund balance that are classified as Assigned.

d. *Unassigned Fund Balance*

Includes the residual classification of the General Fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the County has implicitly assigned the funds for the purposes of those particular funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The County passed a resolution to establish a minimum fund balance policy. The policy states the County shall strive to achieve a yearly fund balance in the general operating fund in which the total fund balance is equal to 25% of the total operating expenditures.

M. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted. A value from the mineral rights has not been reported in these financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, unrestricted resources are applied first.

Pecos County, Texas

Notes to the Financial Statements

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

O. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During fiscal year 2018, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Liability is obtained from TCERS through a report prepared for the District by TCERS consulting actuary, in compliance with GASB 68.

Q. Other Post-Employment Benefits (OPEB)

The County offers two OPEB plans, a defined benefits group-term life insurance plan administered by TCERS (TCERS OPEB) and a single-employer defined benefit other postemployment benefits plan (the Plan) administered by the County. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the plans. For this purpose, the plans recognize benefit payments when due and payable in accordance with the benefit terms.

Information regarding the County's total OPEB liability is obtained through reports prepared by the County by a consulting actuary, in compliance with Government Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*.

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

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

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$(35,270,140) difference is as follows:

Capital lease	\$ (223,647)
Compensated absences	(1,324,516)
Other post employment benefits	<u>(33,721,977)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u><u>\$ (35,270,140)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$(579,483) difference is as follows:

Capital additions	\$ 1,368,028
Depreciation expense	<u>(1,947,511)</u>
Net adjustment to decrease net change in fund balances- total governmental funds to arrive at change in net position of governmental activities.	<u><u>\$ (579,483)</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The detail of this \$1,884,961 difference is as follows:

Net change in compensated absences	\$ (131,845)
Net pension income (expense)	(311,400)
Net change in other post employment benefits	(1,667,047)
Net change in TCDRS OPEB	<u>(42,363)</u>
Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (2,152,655)</u></u>

Pecos County, Texas

Notes to the Financial Statements

Lastly, the changes in net position from the internal service fund and internal balances due to internal service fund activity reconciles with governmental activities. Internal balances are from the hospital fund due to the governmental funds supporting the operating loss during the year. The detail of this \$35,167 balance difference is as follows:

Net change in internal service net position	\$ (72,317)
The change in internal balances	<u>37,150</u>
<i>Net adjustment to decrease net change in fund balances</i>	
<i>total governmental funds to arrive at change in</i>	
<i>net position of governmental activities</i>	<u><u>\$ (35,167)</u></u>

Note 3. Stewardship, Compliance and Accountability

Deficit Fund Equity

All of the County's major funds held positive fund equity at December 31, 2018. The County held positive fund equity for all special revenue funds as of December 31, 2018.

Note 4. Cash and Investments

The County invests its funds in investments authorized by Texas law in accordance with investment policies approved by the County Commissioners. Both state law and the County's investment policies are subject to change.

Under current Texas law, the County is authorized to invest in: (1) obligations of the United States or its instrumentalities, (2) direct obligations of the state of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the state of Texas or the United States or its instrumentalities, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state of Texas or the United States or its instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or any other manner or amount provided by law for County deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause one, and are placed through a primary government securities dealer or a bank domiciled in the state of Texas, (8) bankers acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies, or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (10) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) bonds issued, assumed, or guaranteed by the state of Israel, and (12) a qualified common trust fund or comparable investment device that is owned or administered by a Texas domiciled bank and consists exclusively of obligations as described above. The County may invest in such obligations directly or through government investment pools that invest solely in such obligations.

Pecos County, Texas

Notes to the Financial Statements

Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities:

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

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

CAT – Government and Agency is measured at amortized cost and are exempt for fair value reporting.

At year-end, the carrying amount of the County's cash and cash equivalents was \$26,936,482 (\$19,431,831 in governmental activities, \$1,784,326 in business-type activities and \$5,720,325 in agency funds). The bank balances totaled \$25,593,182 of which \$750,000 was covered by Federal Depository Insurance Corporation (FDIC) and \$21,843,182 was covered by collateral held by the pledging banks' agent for the County in the County's name (or Category 1 above).

Interest Rate Risk – In compliance with the County's investment policy, as of December 31, 2018, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the County's investment policy, as of December 31, 2018, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in ICT Government Securities that were rated AAA, AAA, and Aaa by Standard & Poor's, Fitch and Moody's, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

Pecos County, Texas
Notes to the Financial Statements

Note 5. Receivables

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road and Bridge Fund	Nonmajor Funds	Business-Type Activities	Internal Service Funds	Total
Receivables:						
Taxes	\$ 13,765,872	\$ 1,687,774	\$ -	\$ -	\$ -	\$ 15,453,646
Patients	-	-	-	18,158,228	-	18,158,228
Other	500,113	-	60,540	1,809,379	235,100	2,605,132
Fines and fees	14,407,387	-	-	-	-	14,407,387
Gross receivables	28,673,372	1,687,774	60,540	19,967,607	235,100	50,624,393
Less: allowance for uncollectibles	(14,319,758)	(230,580)	-	(17,165,820)	-	(31,716,158)
Net total receivables	\$ 14,353,614	\$ 1,457,194	\$ 60,540	\$ 2,801,787	\$ 235,100	\$ 18,908,235

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned, such as property tax revenue that is levied for the following fiscal year. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes	\$ 22,274,487
Other	1,777,952
Total	\$ 24,052,439

Pecos County, Texas
Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,345,948	\$ -	\$ -	\$ 1,345,948
Construction-in-progress	982,716	158,349	(100,893)	1,040,172
Total capital assets, not being depreciated	2,328,664	158,349	(100,893)	2,386,120
Capital assets, being depreciated:				
Buildings	19,632,322	-	-	19,632,322
Improvements other than buildings	6,466,024	329,826	-	6,795,850
Machinery and equipment	17,043,637	879,853	(59,250)	17,864,240
Infrastructure	1,236,551	100,893	-	1,337,444
Total capital assets, being depreciated	44,378,534	1,310,572	(59,250)	45,629,856
Less accumulated depreciation for:				
Buildings	(8,076,885)	(401,805)	-	(8,478,690)
Improvements other than buildings	(3,600,810)	(238,570)	-	(3,839,380)
Machinery and equipment	(13,062,213)	(1,247,961)	59,250	(14,250,924)
Infrastructure	(912,923)	(59,175)	-	(972,098)
Total accumulated depreciation	(25,652,831)	(1,947,511)	59,250	(27,541,092)
Total capital assets being depreciated, net	18,725,703	(636,939)	-	18,088,764
Governmental activities capital assets, net	\$ 21,054,367	\$ (478,590)	\$ (100,893)	\$ 20,474,884
	Balance 12/31/2017	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2018
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 85,649	\$ -	\$ -	\$ 85,649
Total capital assets, not being depreciated	85,649	-	-	85,649
Capital assets, being depreciated:				
Land improvements	735,721	-	-	735,721
Buildings and improvements	24,760,649	65,573	-	24,826,222
Equipment	13,675,806	445,536	237,820	14,359,162
Leased assets	484,186	1,058,980	(237,820)	1,305,346
Capitalized interest	1,746,954	-	-	1,746,954
Total capital assets, being depreciated	41,403,316	1,570,089	-	42,973,405
Less accumulated depreciation for:				
Land improvements	(626,704)	(12,441)	-	(639,145)
Buildings and improvements	(13,331,146)	(757,604)	-	(14,088,750)
Equipment	(12,633,973)	(387,492)	(159,852)	(13,181,317)
Leased assets	(275,929)	(49,273)	159,852	(165,350)
Capitalized interest	(682,469)	(43,674)	-	(726,143)
Total accumulated depreciation	(27,550,221)	(1,250,484)	-	(28,800,705)
Total capital assets being depreciated, net	13,853,095	319,605	-	14,172,700
Business-type activities capital assets, net	\$ 13,938,744	\$ 319,605	\$ -	\$ 14,258,349

Pecos County, Texas
Notes to the Financial Statements

Primary Government

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

Governmental activities:	
General government	\$ 123,013
Judicial	34,134
Law enforcement	277,804
Corrections	41,468
Health and welfare	193,521
Fire protection	243,691
Culture and recreation	374,089
Library	14,838
Financial administration	32,527
Building maintenance	30,014
Conservation	3,956
Highway and streets	523,476
Airport	54,980
Total depreciation expense – governmental activities	\$ 1,947,511
Business-type activities:	
Pecos County Memorial Hospital	\$ 1,250,484
Total depreciation expense - business-type activities	\$ 1,250,484

Note 7. Interfund Receivables and Payables

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of December 31, 2018:

Fund	Receivable	Payable
General fund	702,864	228,478
Internal service fund	-	300,000
Enterprise fund:		
Pecos County Memorial Hospital	-	174,386
Total all funds	\$ 702,864	\$ 702,864

Pecos County, Texas
Notes to the Financial Statements

Note 8. Long-Term Debt

The following is a summary of changes in general long-term debt:

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018	Amount Due within one year
Governmental Activities:					
Capital lease	\$ -	\$ 298,196	\$ 74,549	\$ 223,647	\$ 74,549
Compensated absences	1,192,671	569,027	437,182	1,324,516	662,258
Other post employment benefits obligation	32,054,930	1,667,047	-	33,721,977	-
TCDRS OPEB	463,100	39,751	-	502,851	-
Total governmental activities	\$ 33,710,701	\$ 2,574,021	\$ 511,731	\$ 35,772,991	\$ 736,807
Business-type Activities:					
Capital lease obligation	\$ 196,754	\$ 1,058,980	\$ 108,091	\$ 1,147,643	\$ 187,736
Compensated absences	1,291,564	876,304	722,623	1,445,245	722,623
Other post employment benefits obligation	25,497,754	1,697,076	-	27,194,830	-
TCDRS OPEB	507,119	43,530	-	550,649	-
Total business-type activities	\$ 27,493,191	\$ 3,675,890	\$ 830,714	\$ 30,338,367	\$ 910,359

Capital Lease Obligations

The County entered into certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the governmental activities column of the statement of net assets. Governmental and business-type activities assets under capital leases, classified as equipment, total \$253,293 and \$1,139,996 respectively, at December 31, 2018. The outstanding balance of governmental and business-type activities capital lease obligations at December 31, 2018 was \$223,647 and \$1,147,643 respectively. Capital lease payments for governmental activities of \$74,549 are included in culture and recreation expenditures. The following is a summary of debt service requirements for the Capital Lease Obligations:

Total Year End Requirements	Governmental Activities	Business-type Activities
2019	\$ 74,549	\$ 255,168
2020	74,549	224,335
2021	74,549	184,020
2022	-	184,020
2023	-	184,020
Thereafter	-	352,706
Minimum lease payments	223,647	1,384,269
Less: Amount representing interest	-	(236,626)
Present value of minimum lease payments	\$ 223,647	\$ 1,147,643

Note 9. Compensated Absences

A. Governmental Activities

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation, compensatory pay and sick pay are paid upon termination. The amount of sick leave paid is dependent on the number of years of service. The liability for accrued vacation, compensatory pay and sick pay is shown as a long-term obligation. At December 31, 2018 the value of accumulated vacation, compensatory benefits and sick time amounted to \$1,324,516 which is a net increase of \$131,845 from the prior year. The estimated amount that is current is \$662,258 .

B. Business-type Activities

As of December 31, 2018, the Hospital has accrued a compensated absences liability of \$1,445,243. As of December 31, 2018, the current portion of this liability is \$722,623.

Note 10. Healthcare Coverage

During the year ended December 31, 2018, employees of Pecos County, Texas were covered by a self-funded health insurance plan (the Plan). The County contributes \$833 per month per employee for coverage. Employees authorize payroll withholdings to pay for a portion of the premium. The Plan is accounted for in the Self-Insurance Health Fund, an internal service fund. Should the Plan’s income from operations for a given Plan year be inadequate to pay the ultimate cost of claims incurred in that Plan year, the General fund is liable to pay the additional claims.

The County obtained excess loss insurance, which limited annual claims paid from the fund for the year ended December 31, 2018, to \$140,000 for any individual participant.

Estimates of claims payable and of claims incurred but not reported at December 31, 2018, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Unpaid claims, beginning of year	\$ 280,408	\$ 393,109
Incurred claims, (including IBNR)	4,845,084	5,082,578
Claim payments	(4,732,978)	(5,195,279)
Unpaid claims, end of year	\$ 392,514	\$ 280,408

Note 11. Retirement Commitments

A. Texas County and District Retirement System

Plan Description

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

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

Benefits Provided

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

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

Employees covered by benefits as of December 31, 2017 include:

Retirees or beneficiaries currently receiving benefits	231
Inactive employees entitle to but not yet receiving benefits	419
Active employees	490
Total	1140

Pecos County, Texas

Notes to the Financial Statements

Contributions

The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using a rate of 7.00%, which was in excess of the actuarially determined rate for the year 2018.

The deposit rate payable by the employee members for calendar year 2017 and 2018 is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Net Pension Liability

The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 Years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increase	1.60%
Investment Rate of Return	8.10%
Payroll Growth	3.25%

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the years 2013-2016, except where required by GASB 68.

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

Pecos County, Texas
Notes to the Financial Statements

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities-Developed	11.00%	4.55%
International Equities-Emerging	8.00%	5.55%
Investment-grade bonds	3.00%	0.75%
Strategic credit	8.00%	4.12%
Direct lending	10.00%	8.06%
Distressed debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	100.0%	

The discount rate used to measure the total pension liability was 8.10%, which is consistent with the prior year discount rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The best estimates of geometric real rates of return for each major asset class included in the TCDRS' target asset allocation as of January 2018 are summarized below.

Pecos County, Texas
Notes to the Financial Statements

Changes in the Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances at December 31, 2016	\$ 80,414,262	\$ 71,757,853	\$ 8,656,409
Changes for the year:			
Service cost	2,795,292	-	2,795,292
Interest on total pension liability (1)	6,589,054	-	6,589,054
Effect of plan changes(2)	575,901	-	575,901
Effect of economic/demographic gains or losses	116,053	-	116,053
Effect of assumptions changes or inputs	451,947	-	451,947
Refund of contributions	(321,474)	(321,474)	-
Benefit payments	(3,478,924)	(3,478,924)	-
Administrative expenses	-	(54,487)	54,487
Member contributions	-	1,517,325	(1,517,325)
Net investment income	-	10,470,307	(10,470,307)
Employer contributions	-	2,044,633	(2,044,633)
Other (3)	-	(3,709)	3,709
Balances at December 31, 2017	\$ 87,142,111	\$ 81,931,524	\$ 5,210,587

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

(2) Reflects plan changes adopted effective in 2018.

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

Discount Rate Sensitivity Analysis.

The following presents the net pension liability of the County as of December 31, 2017, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 98,658,641	\$ 87,142,111	\$ 77,502,790
Fiduciary net pension	81,934,524	81,934,524	81,931,524
Net pension liability / (asset)	\$ 16,724,117	\$ 5,207,587	\$ (4,428,734)

Pecos County, Texas
Notes to the Financial Statements

B. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

Related to Pensions

For the year ended December 31, 2018, the County recognized pension expense of \$343,691 related to the December 31, 2017 valuation. At December 31, 2018, the County reported deferred inflows and outflows of resources related to the Plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 637,105	\$ 92,842
Change of assumptions	-	593,551
Net difference between projected and actual investment earnings	1,052,454	-
Contributions subsequent to the measurement date	-	2,340,070
Total	\$ 1,689,559	\$ 3,026,463

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$2,340,070 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the County's financial statements December 31, 2019). Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$ 316,346
2020	226,908
2021	(726,079)
2022	(820,341)
Total	\$ (1,003,166)

C. Texas County and District Retirement System Group Term Life

Plan Description

The County participates in the retiree Group Term Life program (GTL) for the Texas County & District Retirement System (TCDRS), which is a defined benefits group term life insurance plan. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. As the GTL program covers both active and retiree participants, with no segregation of assets, the GTL program is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75).

Benefits Provided

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program. The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of \$5,000.

Pecos County, Texas
Notes to the Financial Statements

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	191
Inactive employee entitled to but no yet receiving benefits	123
Active employees	490
	<hr/>
Total	804
	<hr/> <hr/>

Contributions

For GASB 75 purposes, the TCDRS GTL plan is not a cost sharing plan as the employer’s benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the TCDRS GTL program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contribution associated with retiree covered are included under GASB 75.

The County’s contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000. 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.

The retiree portion of contribution rates to the TCDRS GTL plan for the County was 0.13% in both calendar years 2017 and 2018. The County’s contributions to the TCDRS GTL plan for the year ended December 31, 2018 were \$29,766.

Total TCDRS OPEB Liability

The County’s total TCDRS OPEB liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TCDRS OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The discount rate used to measure the TCDRS OPEB liability was 3.44% and was based on the 20 year bond GO index published by bondbuyer.com as of December 28, 2017.

Mortality rates for depositing members were 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries, and non-depositing members were 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 100% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for disabled retirees were 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projects with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actual experience study for the period January 1, 2013 through December 31, 2016.

Pecos County, Texas
Notes to the Financial Statements

Changes in the TCDRS OPEB Liability

Balance at December 31, 2016	\$ 970,219
Changes for the year:	
Service cost	31,405
Interest on total OPEB liability	37,335
Effect of economic/demographic experience	(3,371)
Effect of assumptions changes or inputs	46,039
Benefit payments	<u>(28,127)</u>
Net changes	<u>83,281</u>
Balance as of December 31, 2017	<u><u>\$ 1,053,500</u></u>

Sensitivity of the TCDRS OPEB Liability to changes in the Discount Rate

The following presents the TCDRS OPEB liability of the County, calculated using the discount rate of 3.44%, as well as, what the County's TCDRS OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.44%) or 1 percentage-point higher (4.44%) than the current rate:

	1% Decrease in Discount Rate (2.44%)	Discount Rate (3.44%)	1% Increase in Discount Rate (4.44%)
Total TCDRS OPEB Liability	\$ 1,269,412	\$ 1,053,500	\$ 887,904

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

For the year ended December 31, 2018 the County recognized TCDRS OPEB expense of \$88,753. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to TCDRS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,809
Changes of assumptions	38,366	-
Contributions made subsequent to measurement date	<u>29,766</u>	<u>-</u>
Total	<u><u>\$ 68,132</u></u>	<u><u>\$ 2,809</u></u>

Pecos County, Texas
Notes to the Financial Statements

The \$29,766 as deferred outflows of resources related to TCDRS OPEB resulting from contributions subsequent to the measurement date will reduce the total TCDRS OPEB liability during the year ending December 31, 2019. The other amounts reported as deferred outflows and inflows of resources related to TCDRS OPEB will be recognized in TCDRS OPEB expense as follows:

Year Ended December 31,	
2019	\$ 7,111
2020	7,111
2021	7,111
2022	7,111
2023	7,113
	<hr/>
	\$ 35,557
	<hr/> <hr/>

D. Post-Employment Healthcare Benefits

Plan Description

The County administers a single employer defined benefit other post-employment benefits (OPEB) plan, known as the post-employment healthcare benefits plan (the Plan). The Plan offers medical and dental insurance benefits to eligible retirees and their spouses. The Plan has no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy

Local Government Code Section 157.1010 assigns the authority to establish and amend benefit provisions to the commissioners’ court. The County is under no legal obligation to pay these premiums, and the decision to provide these benefits is made by the commissioners’ court on a year-to-year basis.

At December 31, 2018, retirees pay a \$25 premium, and pay \$50 per month for their spouse’s premium. All other costs are paid by the County.

The premium rates are set annually by the Commissioners’ Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The plan is funded as a pay-as-you-go basis. For the year ended, December 31, 2018, the County contributed approximately \$1,087,349 in direct subsidy contributions.

Benefits provided

Employees are eligible for the TCDRS retirement plan at the earlier of a) age 60 with 8 years of services, b) 30 years of service without regard to age, and c) the sum of age plus service equals 75. Employees hired after January 2, 2017 will not be eligible for retiree medical coverage. Benefits are provided through a self-funded medical plan. A Medicare supplement plan with drug coverage is available once the retiree or spouse reaches age 65. Dental and life insurance benefits are not available to the retiree.

The following tables provides a summary of the number of participants in the Plan as of December 31, 2018:

	<u>Employees Only</u>
Retired plan members	85
Active plan members	141
	<hr/>
Total	<u>226</u>

Pecos County, Texas

Notes to the Financial Statements

Total Plan OPEB Liability

The County's Plan OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

The Plan OPEB liability in December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00%
Discount rate	4.10%
Health care cost trend	5.00%
Salary scale	3.50%

The mortality assumption were based on the RPH-2017 table with the MP-2018 projection scale. The termination and retirement rates were based on assumptions used in the current actuarial valuations prepared for the TCDRS plans covering local governments.

Changes in the Plan OPEB Liability

Balance at January 1, 2018	\$ 57,552,684
Changes for the year:	
Service cost	2,489,593
Interest cost	2,429,849
Benefit payments	<u>(1,555,319)</u>
Net changes	<u>3,364,123</u>
Balance as of December 31, 2018	<u><u>\$ 60,916,807</u></u>

Sensitivity of the Plan OPEB Liability to Changes in the Discount Rate

The following presents the Plan OPEB liability of the County calculated using the discount rate of 4.10%, as well as, what the County's Plan OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease in Discount Rate (3.10%)	Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
	<u> </u>	<u> </u>	<u> </u>
Total Plan OPEB Liability	\$ 72,328,762	\$ 60,916,807	\$ 51,949,880

Pecos County, Texas

Notes to the Financial Statements

Sensitivity of the Plan OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Plan OPEB liability of the County calculated using the healthcare cost trend rate of 5.00%, as well as, what the County's Plan OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current rate:

	1% Decrease in Trend Rate (4.00%)	Trend Rate (5.00%)	1% Increase in Trend Rate (6.00%)
Total Plan OPEB Liability	\$ 50,686,819	\$ 60,916,807	\$ 74,289,889

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

For the year ended December 31, 2018, the County recognized Plan OPEB expense of \$3,364,123. At December 31, 2018, the County reported \$0 deferred outflows of resources and \$0 deferred inflows of resources related to OPEB.

Note 12. Operating Leases

The County's has entered into noncancellable operating leases for various equipment in governmental activities. The future minimum rental commitments for those leases at December 31, 2018 are as follows:

Total Year End Requirements	Governmental Activities
2019	\$ 56,537
2020	40,353
2021	27,494
2022	23,488
2023	18,737
Thereafter	389,377
Present value of minimum future lease payments	<u>\$ 555,986</u>

Note 13. Contingent Liabilities

The County participates in several grant programs that are subject to audit by various state and federal agencies. These programs have complex compliance requirements and should state or federal auditors discover areas of material noncompliance, those County funds may be subject to refund if so determined by administrative audit review.

In the normal course of business, the County has been named in civil lawsuits. The outcome of these cases cannot presently be determined; however, County management is of the opinion that the settlement of pending litigation will not have a material adverse effect on the County's financial statements.

Pecos County, Texas
Notes to the Financial Statements

Note 14. Additional Enterprise Fund Disclosures

Accounts receivable consists of the following at December 31, 2018:

	<u>Pecos County Memorial Hospital</u>
Gross accounts receivable	\$ 19,967,607
Less: allowance for bad debts and contractual adjustments	<u>(17,165,820)</u>
Accounts receivable, net of allowance	<u><u>\$ 2,801,787</u></u>

Net patient revenue. The Hospital had an agreement with third-party payers that provided for payments to the Hospital at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The major third-party payers are Medicare, Medicaid, and other commercial insurance carriers and preferred provider organizations.

Note 15. Tax Abatements

The County negotiates property tax abatement agreements on an individual basis. The County has tax abatement agreements with seven entities as of December 31, 2018:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Construction of wind power project	100%	\$ 1,019,384
Development of various solar power projects	80%	<u>3,443,523</u>
		<u><u>\$ 4,462,907</u></u>

Some of the agreements described include provisions where the entities make annual payments in lieu of taxes abated. As of December 31, 2018 payments in lieu of taxes amounted to \$1,283,194 and is included in general revenues in the Statement of Activities.

Each agreement was negotiated under a state law (Property Tax Abatement Act, Tax Code Chapter 312) allowing localities to abate property taxes for a variety of economic purposes, including business relocation, retention, and expansion for a period not to exceed 10 years. The abatements may be granted to any business located within or promising to relocate to a local government’s geographic area. Localities may grant abatements of all or a portion of annual property taxes through a direct reduction of the entity’s property tax bill.

Pecos County, Texas

Notes to the Financial Statements

The County has not made any commitments as part of the agreements other than to reduce taxes. The County is not subject to any tax abatement agreements entered into by other governmental entities. The county has chosen to disclose information about some of its tax abatement agreements. It established a quantitative threshold of 10 percent of the total dollar amount of taxes abated during the year.

Note 16. Change in Accounting Principle and Correction of Error

A change in accounting principle and correction of error was recognized in governmental statement activities for the amount of \$109,418 which was made up for a change in accounting principle \$(129,324) and correction of error \$238,754. A change in accounting principle was recognized in business-type statement of activities for the amount of \$2,791,664. See the following paragraphs for further explanation.

In accordance with the implementation of GASB 75, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, the County was required to record their net other post-employment benefits liability. The County has retroactively implemented this change, which resulted in a restatement of net position as of December 31, 2018, the effect of which was a decrease of \$129,324 for governmental activities and a decrease of \$2,791,664 for business-type activities.

The County discovered an error in under reported grant revenue resulting in an understatement in previously reported amounts of accounts receivable and revenue. Accordingly, an adjustment of \$238,742 was made to the beginning balance of net position and fund balance to correct this error. The effects of the restatement would have increased net change in net position and net change in fund balance for the year ended December 31, 2017 by \$238,742.

As a result of the above described paragraphs, net position (deficit) was restated for governmental activities from \$14,867,191 to \$14,976,609 and business-type activities from \$(10,956,481) to \$(13,748,125). As a result of the above described paragraphs, fund balance was restated in the statement of revenue, expenditures, and changes in fund balances – governmental funds for other nonmajor governmental funds from \$1,373,836 to \$1,612,578, and total governmental funds from \$25,285,952 to \$25,524,694

Note 17. New Pronouncements

Statement No. 83 *Certain Asset Retirement Obligations* – The Objective of this Statement is to establish a uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018

GASB issued Statement No. 84: *Fiduciary Activities* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

Pecos County, Texas

Notes to the Financial Statements

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Statement No. 87: Leases - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2018.

Statement No. 90 *Majority Equity Interests* - The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in all legally separate organizations and improve the relevance of financial statement information for certain component units. The requirements of this Statement will be effective for reporting periods after December 15, 2018.

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

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Required Supplemental Information

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Pecos County, Texas

Texas County District Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Employees of Pecos County

December 31, 2018

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 2,795,292	\$ 2,982,099	\$ 2,973,703	\$ 2,780,990
Interest (on the total pension liability)	6,589,054	6,096,181	5,759,225	5,343,058
Effect of plan changes	575,901	-	(511,212)	-
Effect of assumption changes or inputs	451,947	-	927,974	-
Effect of economic/demographic (gains) or losses	116,053	(641,945)	(1,264,530)	47,248
Benefit payments/refunds of contributions	(3,800,398)	(3,573,519)	(3,478,337)	(3,191,714)
Net change in total pension liability	6,727,849	4,862,816	4,406,823	4,979,582
Total pension liability - beginning	80,414,262	75,551,446	71,144,623	66,165,041
TOTAL PENSION LIABILITY - ENDING (a)	\$ 87,142,111	\$ 80,414,262	\$ 75,551,446	\$ 71,144,623
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 2,044,633	\$ 2,027,782	\$ 2,169,495	\$ 2,159,972
Contributions - employee	1,517,325	1,533,028	1,615,580	1,574,247
Investment income net of investment expenses	10,470,307	4,942,678	(109,580)	4,215,709
Benefit payments/refunds of contributions	(3,800,398)	(3,573,519)	(3,478,338)	(3,191,714)
Administrative expense	(54,487)	(53,803)	(48,039)	(49,507)
Other	(3,709)	19,186	104,409	(14,286)
Net change in plan fiduciary net position	10,173,671	4,895,352	253,527	4,694,421
Plan fiduciary net position - beginning	71,757,853	66,862,501	66,608,973	61,914,552
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 81,931,524	\$ 71,757,853	\$ 66,862,500	\$ 66,608,973
NET PENSION LIABILITY - ENDING (a)-(b)	\$ 5,210,587	\$ 8,656,409	\$ 8,688,946	\$ 4,535,650
Plan fiduciary net position as a percentage of total pension liability	94.02%	89.24%	88.50%	93.62%
Covered payroll	\$ 21,636,323	\$ 21,898,298	\$ 23,079,720	\$ 22,466,129
Net pension liability as a percentage of covered payroll	24.08%	39.53%	37.65%	20.19%

Notes to Schedule:

As of December 31 - Measurement date

Only four years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Pecos County, Texas
Texas County District Retirement System
Schedule of Employer Contributions
December 31, 2018

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 2,044,633	\$ 2,027,782	\$ 2,169,494	\$ 2,156,748	\$ 1,987,873
Contributions in relation to the actuarially determined contribution	(2,044,633)	(2,027,782)	(2,169,494)	(2,159,972)	(1,987,873)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ (3,224)	\$ -
Covered payroll	\$ 21,636,323	\$ 21,898,298	\$ 23,079,720	\$ 22,466,129	\$ 18,595,904
Contributions as a percentage of covered payroll	9.5%	9.3%	9.4%	9.6%	10.7%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the 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	12.5 years (based on contribution rate calculated 12/31/2017 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality, and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the schedule. 2016: No changes in plan provisions were reflected in the schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

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

Only five years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Pecos County, Texas

County Retiree Health Plan Schedule of Changes in Net Plan OPEB Liability and Related Ratios For the Year Ended December 31, 2018

	<u>2018</u>
TOTAL PLAN OPEB LIABILITY	
Service cost	\$ 2,489,593
Interest on total plan OPEB liability	2,429,849
Benefit payments	<u>(1,555,319)</u>
Net change in total plan OPEB liability	3,364,123
Total plan OPEB liability - beginning of year	<u>57,552,684</u>
Total plan OPEB liability - end of year	<u>\$ 60,916,807</u>
Covered employee payroll	\$ 21,636,323
Net plan OPEB liability as a percentage of covered payroll	281.55%

Notes to Schedule:

The Plan is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported to the above schedule.

The County implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date of December 31, 2017 of the net plan OPEB liability and will ultimately contain information for 10 years.

Pecos County, Texas

Texas County District Retirement System’s Supplemental
 Death Benefits Fund Schedule of Changes in Net TCDRS
 OPEB Liability and Related Ratios
 For the Year Ended December 31, 2018

	<u>2018</u>
TOTAL TCDRS OPEB LIABILITY	
Service cost	\$ 31,405
Interest on total TCDRS OPEB liability (1)	37,335
Effect of assumption changes or inputs (2)	46,039
Effect of economic/demographic (gains) or losses	(3,371)
Benefit payments	<u>(28,127)</u>
Net change in total TCDRS OPEB liability	83,281
Total TCDRS OPEB liability - beginning of year	<u>970,219</u>
Total TCDRS OPEB liability - end of year	<u>\$ 1,053,500</u>
Covered payroll	\$ 21,636,323
Net TCDRS OPEB liability as a percentage of covered payroll	4.87%

Notes to Schedule:

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

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

2013 -

December 31, 2016 Investigation of Experience.

The County implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date of December 31, 2017 of the net TCDRS OPEB liability and will ultimately contain information for 10 years.

Pecos County, Texas

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual

For the Year Ended December 31, 2018

Budget			Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
REVENUES						
7100	50	Taxes	\$ 18,319,511	\$ 18,319,511	\$ 18,705,698	\$ 386,187
7100	51	ABC Tax	31,000	31,000	30,588	(412)
7100	53	Fines and forfeitures	8,400	8,400	1,072	(7,328)
7100	52	Intergovernmental	443,167	443,167	456,535	13,368
7100	55	Charges for services	2,653,160	2,653,160	2,820,716	167,556
7100	82	Payment in lieu of taxes	1,283,194	1,283,194	1,283,194	-
7100	83	Proceeds from settlement	-	-	88,659	88,659
7100	81	Royalties	60,000	60,000	53,769	(6,231)
7100	54	Interest	255,000	255,000	666,271	411,271
7100	80	Other	75,200	75,200	164,190	88,990
Total revenues			23,128,632	23,128,632	24,270,692	1,142,060
EXPENDITURES						
Current:						
General government						
7230	400	Office of the County Judge	203,722	208,792	204,734	4,058
7230	403	Office of the County Clerk	372,799	360,989	351,753	9,236
7230	405	Veterans' Administration	57,809	59,320	58,220	1,100
7230	401	Commissioners' Court	239,500	249,969	224,116	25,853
7230	409	Nondepartmental	4,135,152	3,979,400	3,715,195	264,205
Total general government			5,008,982	4,858,470	4,554,018	304,452
Judicial:						
7242	450	Office of the District Clerk	283,954	283,954	282,570	1,384
7242	426	County Court at Law	51,900	51,900	33,224	18,676
7242	435	83rd District Court	160,410	167,628	166,066	1,562
7242	436	112th District Court	198,106	292,932	288,529	4,403
7242	437	Office of the 83rd District Attorney	300,966	300,966	217,655	83,311
7242	438	Office of the 112th District Attorney	264,764	273,708	230,887	42,821
7242	451	Justice of the Peace #1	216,803	216,803	206,101	10,702
7242	453	Justice of the Peace #3	109,251	109,251	93,600	15,651
7242	454	Justice of the Peace #4	44,708	44,708	42,864	1,844
7242	456	Justice of the Peace #6	110,988	110,988	108,205	2,783
7242	475	Office of the County Attorney	347,931	347,861	347,908	(47)
7242	465	County Law Library	13,084	13,084	2,477	10,607
Total judicial			2,102,865	2,213,783	2,020,086	193,697
Financial Administration:						
7247	495	Office of the County Auditor	411,023	412,590	408,879	3,711
7247	497	Office of the County Treasurer	140,388	140,389	140,359	30
7247	499	Office of the Tax Assessor Collector	444,404	444,403	420,644	23,759
7247	503	Data processing	430,100	428,533	335,265	93,268
Total financial administration			1,425,915	1,425,915	1,305,147	120,768

Pecos County, Texas

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual – Continued

For the Year Ended December 31, 2018

			Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
Law enforcement:						
7238	551	Constable Precinct #1	22,715	26,315	25,843	472
7238	553	Constable Precinct #3	29,121	29,121	28,438	683
7238	554	Constable Precinct #4	27,419	27,419	26,836	583
7238	556	Constable Precinct #6	26,977	26,977	26,394	583
7238	561	Public Safety Department	3,300	3,573	3,573	-
7238	560	Office of the Sheriff	1,686,271	1,758,675	1,699,467	59,208
Total law enforcement			1,795,803	1,872,080	1,810,551	61,529
Corrections:						
7245	512	Correctional facility	708,397	781,701	773,614	8,087
7245	570	Adult probation	42,820	42,820	42,508	312
7245	572	Juvenile probation	310,163	310,163	223,771	86,392
Total corrections			1,061,380	1,134,684	1,039,893	94,791
Health and welfare:						
7235	632	Sanitation department	65,850	71,344	70,692	652
7235	540	EMS	2,209,142	2,645,886	2,562,355	83,531
7235	640	Social services	100,000	100,000	88,863	11,137
7235	631	Emergency Management/Homeland Security	112,279	112,278	111,506	772
Total health and welfare			2,487,271	2,929,508	2,833,416	96,092
7237		Fire protection	375,250	473,561	432,051	41,510
Culture and recreation:						
7233	660	Recreation	135,075	135,075	128,928	6,147
7233	659	Fort Stockton Golf Course	497,927	496,171	543,703	(47,532)
7233	658	Iraan Golf Course	213,385	213,385	208,265	5,120
7233	661	Park #1	242,648	264,422	249,666	14,756
7233	662	Park #2	528,055	808,475	724,877	83,598
7233	663	Park #3	321,272	389,984	382,017	7,967
7233	664	Park #4	254,126	246,168	207,302	38,866
7233	696	Historical Commission	13,836	16,336	13,421	2,915
Total culture and recreation			2,206,324	2,570,016	2,458,179	111,837

Pecos County, Texas

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual – Continued

For the Year Ended December 31, 2018

			Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
Libraries:						
7249	650	Fort Stockton library	327,224	327,225	308,863	18,362
7249	651	Imperial library	55,773	55,774	55,339	435
7249	652	Iraan library	100,964	101,075	100,639	436
Total libraries			483,961	484,074	464,841	19,233
7248		Building maintenance	395,879	404,187	403,218	969
7240		Utilities	720,000	720,000	615,939	104,061
7239		Conservation	156,798	156,798	123,523	33,275
Public service:						
7246	490	Elections	71,757	80,248	69,290	10,958
7246	590	Pecos County Water	199,116	257,412	205,158	52,254
7246	695	Miscellaneous	173,786	195,973	189,003	6,970
Total public service			444,659	533,633	463,451	70,182
7250		Airport	272,410	272,410	139,944	132,466
Total expenditures			18,937,497	20,049,119	18,664,257	1,384,862
Excess of revenues over expenditures			4,191,135	3,079,513	5,606,435	2,526,922
OTHER FINANCING SOURCES (USES)						
7300 00		Sale of assets	15,000	15,000	14,912	(88)
7300	50	Transfers from other funds	450,000	457,412	457,412	-
7300	60	Transfers to other funds	(4,450,000)	(5,597,412)	(5,589,852)	7,560
Total other financing sources (uses)			(3,985,000)	(5,125,000)	(5,117,528)	7,472
Net change in fund balances			206,135	(2,045,487)	488,907	2,534,394
Fund balances - beginning of year			23,410,122	23,410,122	23,410,122	-
FUND BALANCES - END OF YEAR			\$ 23,616,257	\$ 21,364,635	\$ 23,899,029	\$ 2,534,394

Pecos County, Texas
 Road and Bridge Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget (GAAP Basis) and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 2,302,222	\$ 2,302,222	\$ 2,315,999	\$ 13,777
Intergovernmental	101,000	101,000	129,408	28,408
Fees of office	703,000	703,000	589,995	(113,005)
Total revenues	3,106,222	3,106,222	3,035,402	(70,820)
EXPENDITURES				
Highways and streets				
Precinct #1:				
Salaries and benefits	455,663	452,495	446,162	6,333
Supplies	5,800	4,927	4,834	93
Fuel	45,000	45,000	39,568	5,432
Uniforms	1,750	1,750	1,038	712
Communications	2,600	2,600	1,802	798
Travel	2,400	1,238	445	793
Registration fees	1,000	924	130	794
Repairs and maintenance	24,000	30,223	29,042	1,181
Lease expenditures	-	104	104	-
Equipment	-	990	990	-
Road improvements	5,000	2,963	1,163	1,800
Total Precinct #1	543,213	543,214	525,278	17,936
Precinct #2:				
Salaries and benefits	421,515	421,315	355,911	65,404
Supplies	7,800	9,535	8,060	1,475
Fuel	45,000	45,000	14,243	30,757
Uniforms	1,300	1,040	956	84
Communications	3,000	3,000	2,377	623
Travel	1,600	2,795	2,450	345
Registration fees	400	400	300	100
Repairs and maintenance	20,470	18,960	13,411	5,549
Lease expenditures	125	125	116	9
Contract services	1,500	-	-	-
Equipment	-	540	540	-
Road improvements	5,000	5,000	-	5,000
Total Precinct #2	507,710	507,710	398,364	109,346

Pecos County, Texas

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual – Continued

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Precinct #3:				
Salaries and benefits	445,077	460,202	460,201	1
Supplies	11,500	10,646	10,600	46
Fuel	40,000	46,100	46,099	1
Uniforms	1,000	1,000	863	137
Communications	10,000	5,572	5,572	-
Travel	2,400	1,540	1,539	1
Registration fees	1,000	300	300	-
Repairs and maintenance	46,260	36,702	35,294	1,408
Dues and subscriptions	300	341	133	208
Equipment	-	5,919	5,627	292
Road improvements	5,000	857	857	-
Total Precinct #3	562,537	569,179	567,085	2,094
Precinct #4:				
Salaries and benefits	545,503	503,894	498,067	5,827
Supplies	10,000	18,657	18,384	273
Fuel	55,000	53,000	51,432	1,568
Uniforms	1,500	1,328	1,134	194
Communications	3,000	3,000	2,296	704
Travel	1,000	1,648	1,479	169
Registration fees	500	500	300	200
Repairs and maintenance	36,420	52,159	49,570	2,589
Lease expenditures	2,000	2,000	1,466	534
Contract services	3,000	3,000	2,425	575
Equipment	-	1,737	1,438	299
Road improvements	5,000	31,398	31,317	81
Total Precinct #4	662,923	672,321	659,308	13,013

Pecos County, Texas

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual – Continued

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General:				
Employee insurance	370,000	370,000	334,165	35,835
Lateral roads #1	10,250	7,994	7,994	-
Lateral roads #2	10,250	9,322	1,056	8,266
Lateral roads #3	10,250	10,250	10,250	-
Lateral roads #4	10,250	10,250	10,250	-
Road improvements	368,000	369,184	365,040	4,144
Contract services	67,000	67,000	63,499	3,501
Total general	846,000	844,000	792,254	51,746
Total highways and streets	3,122,383	3,136,424	2,942,289	194,135
Capital Outlay:				
Precinct #4	-	56,500	56,389	(111)
Total capital outlay	-	56,500	56,389	(111)
Total expenditures	3,122,383	3,192,924	2,998,678	194,246
Excess (deficiency) of revenues over expenditures	(16,161)	(86,702)	36,724	123,426
Net change in fund balance	(16,161)	(86,702)	36,724	123,426
Fund balances - beginning of year	501,994	501,994	501,994	-
FUND BALANCES - END OF YEAR	\$ 485,833	\$ 415,292	\$ 538,718	\$ 123,426

Pecos County, Texas

Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances Budget (GAAP Basis) and Actual

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

- A. In the event the Commissioners' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- B. Public hearings are conducted at the Pecos County Courthouse to obtain taxpayer comments.
- C. Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- D. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- E. Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- F. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- G. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2018.
- H. The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund and Road and Bridge Fund present a comparison of budgetary data to actual results.

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Supplementary Information

Pecos County, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,795,473	\$ 6,134	\$ 1,801,607
Other	60,540	-	60,540
TOTAL ASSETS	<u>\$ 1,856,013</u>	<u>\$ 6,134</u>	<u>\$ 1,862,147</u>
LIABILITIES			
Accounts payable	\$ 141,051	-	\$ 141,051
Total liabilities	141,051	-	141,051
FUND BALANCES			
Restricted			
Federal and state grants	360,819	-	360,819
Legislation	1,354,143	-	1,354,143
Total fund balances	<u>1,714,962</u>	<u>6,134</u>	<u>1,721,096</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,856,013</u>	<u>\$ 6,134</u>	<u>\$ 1,862,147</u>

Pecos County, Texas

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
REVENUES			
Fines and forfeitures	\$ 6,791	\$ -	\$ 6,791
Intergovernmental	1,224,044	-	1,224,044
Charges for services	766,348	-	766,348
Interest	7,873	-	7,873
Other	13,537	1,650	15,187
Total revenues	2,018,593	1,650	2,020,243
EXPENDITURES			
Judicial	127,884	-	127,884
Corrections	1,493,363	-	1,493,363
Health and welfare	40,005	-	40,005
Public service	230,084	-	230,084
Capital outlay	4,489	-	4,489
Total expenditures	1,911,725	-	1,911,725
Excess of revenue over expenditures	106,868	1,650	108,518
OTHER FINANCING SOURCES (USES)			
Transfers in	(204)	-	(204)
Transfers (out)	204	-	204
Total other financing sources (uses)	-	-	-
Net change in fund balances	106,868	1,650	108,518
Fund balances - beginning of year	1,369,352	4,484	1,373,836
Prior period adjustment	238,742	-	238,742
Fund balances - beginning of year, as restated	1,608,094	4,484	1,612,578
FUND BALANCES, end of year	\$ 1,714,962	\$ 6,134	\$ 1,721,096

Pecos County, Texas
Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	250	251	255 256	265	266
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-R	Basic Supervision	Community Corrections Program
ASSETS					
Cash	\$ 24,797	\$ 42,060	\$ 19,135	\$ 138,316	\$ 36,479
Receivables, net of allowance					
Other	59	-	-	-	-
TOTAL ASSETS	<u>\$ 24,856</u>	<u>\$ 42,060</u>	<u>\$ 19,135</u>	<u>\$ 138,316</u>	<u>\$ 36,479</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 8,296	\$ 751	\$ -
Total liabilities	-	-	8,296	751	-
FUND BALANCES					
Restricted:					
Federal and state grants	-	42,060	10,839	137,565	36,479
Legislation	24,856	-	-	-	-
Total fund balances	<u>24,856</u>	<u>42,060</u>	<u>10,839</u>	<u>137,565</u>	<u>36,479</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 24,856</u>	<u>\$ 42,060</u>	<u>\$ 19,135</u>	<u>\$ 138,316</u>	<u>\$ 36,479</u>

267	268	270	280	281	282	283	284	285
Intensive Supervision	CSCD Pretrial Division	Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund
\$ 124,695	\$ 9,258	\$ 20,813	\$ 69,043	\$ 399,327	\$ -	\$ 22,711	\$ 21,665	\$ 61,638
-	-	-	285	-	2,953	236	259	-
<u>\$ 124,695</u>	<u>\$ 9,258</u>	<u>\$ 20,813</u>	<u>\$ 69,328</u>	<u>\$ 399,327</u>	<u>\$ 2,953</u>	<u>\$ 22,947</u>	<u>\$ 21,924</u>	<u>\$ 61,638</u>
\$ 77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77	-	-	-	-	-	-	-	-
124,618	9,258	-	-	-	-	-	-	-
-	-	20,813	69,328	399,327	2,953	22,947	21,924	61,638
<u>124,618</u>	<u>9,258</u>	<u>20,813</u>	<u>69,328</u>	<u>399,327</u>	<u>2,953</u>	<u>22,947</u>	<u>21,924</u>	<u>61,638</u>
<u>\$ 124,695</u>	<u>\$ 9,258</u>	<u>\$ 20,813</u>	<u>\$ 69,328</u>	<u>\$ 399,327</u>	<u>\$ 2,953</u>	<u>\$ 22,947</u>	<u>\$ 21,924</u>	<u>\$ 61,638</u>

Pecos County, Texas
Special Revenue Funds
Combining Balance Sheet – Continued
December 31, 2018

	286	287	370
	County Clerk Archival Fund	County Clerk Vital Statistics Fund	Courthouse Security Fund
ASSETS			
Cash	\$ 284,159	\$ 10,774	\$ 135,810
Receivables, net of allowance			
Other	-	-	124
TOTAL ASSETS	<u>\$ 284,159</u>	<u>\$ 10,774</u>	<u>\$ 135,934</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted:			
Federal and state grants	-	-	-
Legislation	284,159	10,774	135,934
Total fund balances	<u>284,159</u>	<u>10,774</u>	<u>135,934</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 284,159</u>	<u>\$ 10,774</u>	<u>\$ 135,934</u>

410 Law Enforcement Grant Fund	429 Texas J Regional Advisory Council Fund	431 Border Security III Fund	433 Stonegarden 15/BP Fund	436 Federal Victims of Crime Act Fund	440 BPU Contract #2537908 Fund
\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -
-	-	6,310	-	-	24,251
<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 6,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,251</u>
\$ -	\$ 45	\$ 6,310	\$ -	-	\$ 24,251
-	45	6,310	-	-	24,251
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 6,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,251</u>

Pecos County, Texas
Special Revenue Funds
Combining Balance Sheet – Continued
December 31, 2018

	447	448	449	500
	CDBG Contract #7216369 Fund	LBSP/16 Fund	Border Security II Grant #2534301	County Attorney Hot Check Fund
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 13,960
Receivables, net of allowance				
Other	3,850	18,547	-	-
TOTAL ASSETS	<u>\$ 3,850</u>	<u>\$ 18,547</u>	<u>\$ -</u>	<u>\$ 13,960</u>
LIABILITIES				
Accounts payable	\$ 3,850	\$ 18,547	\$ -	\$ 4,785
Total liabilities	3,850	18,547	-	4,785
FUND BALANCES				
Restricted:				
Federal and state grants	-	-	-	-
Legislation	-	-	-	9,175
Total fund balances	-	-	-	9,175
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,850</u>	<u>\$ 18,547</u>	<u>\$ -</u>	<u>\$ 13,960</u>

505 County Attorney Pre-Trial Intervention Fund	510 Sheriff Discretionary Fund	511 Forfeiture Shared Revenue Fund	530 83rd District Attorney Hot Check Funds	540 83rd District Attorney Drug Forfeiture Fund	560 112th District Attorney Discretionary Fund	561 112th District Attorney Hot Check Fund	Total
\$ 141,853	\$ 34,522	\$ 23,557	\$ 24,434	\$ 103,072	\$ 33,071	\$ 279	\$ 1,795,473
3,450	216	-	-	-	-	-	60,540
<u>\$ 145,303</u>	<u>\$ 34,738</u>	<u>\$ 23,557</u>	<u>\$ 24,434</u>	<u>\$ 103,072</u>	<u>\$ 33,071</u>	<u>\$ 279</u>	<u>\$ 1,856,013</u>
\$ 4,932	\$ -	\$ -	\$ -	\$ 68,719	\$ 488	\$ -	\$ 141,051
4,932	-	-	-	68,719	488	-	141,051
-	-	-	-	-	-	-	360,819
140,371	34,738	23,557	24,434	34,353	32,583	279	1,354,143
140,371	34,738	23,557	24,434	34,353	32,583	279	1,714,962
<u>\$ 145,303</u>	<u>\$ 34,738</u>	<u>\$ 23,557</u>	<u>\$ 24,434</u>	<u>\$ 103,072</u>	<u>\$ 33,071</u>	<u>\$ 279</u>	<u>\$ 1,856,013</u>

Pecos County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2018

	250	251	255 256	265	266
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-R	Basic Supervision	Community Corrections Program
REVENUES					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	92,466	185,744	86,695
Charges for services	1,825	-	-	426,545	-
Interest	-	745	-	3,800	-
Other	-	-	-	13,537	-
Total revenues	1,825	745	92,466	629,626	86,695
EXPENDITURES					
Judicial	-	-	-	-	-
Law enforcement	-	-	-	-	-
Corrections	-	1,600	120,385	608,424	103,709
Health and welfare	-	-	-	-	-
Public service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	1,600	120,385	608,424	103,709
Excess (deficiency) of revenues over (under) expenditures	1,825	(855)	(27,919)	21,202	(17,014)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	(10,578)	10,782
Total other financing sources (uses)	-	-	-	(10,578)	10,782
Net change in fund balances	1,825	(855)	(27,919)	10,624	(6,232)
Fund balances - beginning of year	23,031	42,915	38,758	126,941	42,711
Prior period adjustment	-	-	-	-	-
Fund balance - beginning of year, as restated	23,031	42,915	38,758	126,941	42,711
FUND BALANCES - END OF YEAR	\$ 24,856	\$ 42,060	\$ 10,839	\$ 137,565	\$ 36,479

267	268	270	280	281	282	283	284	285
Intensive Supervision	CSCD Pretrial Division	Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
387,525	28,832	-	-	-	-	-	-	-
-	-	5,126	4,505	82,709	2,953	3,520	4,083	10,619
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
387,525	28,832	5,126	4,505	82,709	2,953	3,520	4,083	10,619
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
333,879	33,990	-	-	-	-	-	-	3,539
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
333,879	33,990	-	-	-	-	-	-	3,539
53,646	(5,158)	5,126	4,505	82,709	2,953	3,520	4,083	7,080
(204)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(204)	-	-	-	-	-	-	-	-
53,442	(5,158)	5,126	4,505	82,709	2,953	3,520	4,083	7,080
71,176	14,416	15,687	64,823	316,618	-	19,427	17,841	54,558
-	-	-	-	-	-	-	-	-
71,176	14,416	15,687	64,823	316,618	-	19,427	17,841	54,558
\$ 124,618	\$ 9,258	\$ 20,813	\$ 69,328	\$ 399,327	\$ 2,953	\$ 22,947	\$ 21,924	\$ 61,638

Pecos County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Continued
For the Year Ended December 31, 2018

	286	287	370
	County Clerk Archival Fund	County Clerk Vital Statistics Fund	Courthouse Security Fund
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	80,609	1,181	21,001
Interest	-	-	-
Other	-	-	-
Total revenues	<u>80,609</u>	<u>1,181</u>	<u>21,001</u>
EXPENDITURES			
Judicial	-	-	-
Law enforcement	-	-	-
Corrections	-	-	36,081
Health and welfare	-	-	-
Public service	75,764	-	-
Capital outlay	-	-	-
Total expenditures	<u>75,764</u>	<u>-</u>	<u>36,081</u>
Excess (deficiency) of revenues over (under) expenditures	4,845	1,181	(15,080)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,845	1,181	(15,080)
Fund balances - beginning of year	279,314	9,593	151,014
Prior period adjustment	-	-	-
Fund balance - beginning of year, as restated	279,314	9,593	151,014
FUND BALANCES - END OF YEAR	<u><u>\$ 284,159</u></u>	<u><u>\$ 10,774</u></u>	<u><u>\$ 135,934</u></u>

410	429	431	433	436	440
Law Enforcement Grant Fund	Texas J Regional Advisory Council Grant	Border Security III Fund	Border Prosecution Fund	Federal Victims of Crime Act Fund	BPU Contract #2537908 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,900	23,679	12,465	167,535	46,625	83,319
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,900	23,679	12,465	167,535	46,625	83,319
-	-	-	-	-	-
15,900	-	-	-	-	-
-	-	-	168,437	-	83,319
-	19,190	12,465	-	-	-
-	-	-	-	46,625	-
-	4,489	-	-	-	-
15,900	23,679	12,465	168,437	46,625	83,319
-	-	-	(902)	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(902)	-	-
-	-	-	902	-	-
-	-	-	-	-	-
-	-	-	902	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Pecos County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Continued
For the Year Ended December 31, 2018

	447	448	449	500
	CDBG Contract #711361 Fund	TDHCA Contract #1001407 Fund	Border Security II Grant #2534301	County Attorney Hot Check Fund
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,350	42,027	40,618	-
Charges for services	-	-	-	1,022
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>8,350</u>	<u>42,027</u>	<u>40,618</u>	<u>1,022</u>
EXPENDITURES				
Judicial	-	-	-	3,449
Law enforcement	-	-	-	-
Corrections	-	-	-	-
Health and welfare	8,350	-	-	-
Public service	-	42,027	40,618	-
Capital outlay	-	-	-	-
Total expenditures	<u>8,350</u>	<u>42,027</u>	<u>40,618</u>	<u>3,449</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(2,427)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	(2,427)
Fund balances - beginning of year	(238,742)	-	-	11,602
Prior period adjustment	238,742	-	-	-
Fund balance - beginning of year, as restated	-	-	-	11,602
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,175</u>

505 County Attorney Pre-Trial Intervention Fund	510 Sheriff's Discretionary Fund	511 Forfeiture Shared Revenue Fund	530 83rd District Attorney Hot Check Funds	540 83rd District Attorney Drug Forfeiture Funds	560 112th District Attorney Discretionary Fund	561 112th District Attorney Hot Check Fund	Total
\$ -	\$ -	\$ 5,195	\$ -	\$ -	\$ 1,596	\$ -	\$ 6,791
-	2,264	-	-	-	-	-	1,224,044
120,576	-	-	-	-	-	74	766,348
-	-	-	460	2,170	698	-	7,873
-	-	-	-	-	-	-	13,537
120,576	2,264	5,195	460	2,170	2,294	74	2,018,593
109,191	-	-	-	1,922	13,322	-	127,884
-	-	-	-	-	-	-	15,900
-	-	-	-	-	-	-	1,493,363
-	-	-	-	-	-	-	40,005
-	-	25,050	-	-	-	-	230,084
-	-	-	-	-	-	-	4,489
109,191	-	25,050	-	1,922	13,322	-	1,911,725
11,385	2,264	(19,855)	460	248	(11,028)	74	106,868
-	-	-	-	-	-	-	(204)
-	-	-	-	-	-	-	204
-	-	-	-	-	-	-	-
11,385	2,264	(19,855)	460	248	(11,028)	74	106,868
128,986	32,474	43,412	23,974	34,105	43,611	205	1,369,352
-	-	-	-	-	-	-	238,742
128,986	32,474	43,412	23,974	34,105	43,611	205	1,608,094
\$ 140,371	\$ 34,738	\$ 23,557	\$ 24,434	\$ 34,353	\$ 32,583	\$ 279	\$ 1,714,962

Pecos County, Texas
 Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 December 31, 2018

	<u>Pecos County Golf Course</u>	<u>Bond Fund</u>	<u>Permian Basin Adult Probation</u>	<u>Juvenile Probation</u>	<u>District Clerk Fee Account</u>	<u>District Clerk Trust Fund</u>
ASSETS						
Cash	\$ 12,243	\$ 66,983	\$ 68,405	\$ 80	\$ 16,545	\$ 314,705
TOTAL ASSETS	<u>\$ 12,243</u>	<u>\$ 66,983</u>	<u>\$ 68,405</u>	<u>\$ 80</u>	<u>\$ 16,545</u>	<u>\$ 314,705</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	12,243	-	51,099	-	16,545	-
Due to beneficiaries	-	66,983	17,306	80	-	314,705
TOTAL LIABILITIES	<u>\$ 12,243</u>	<u>\$ 66,983</u>	<u>\$ 68,405</u>	<u>\$ 80</u>	<u>\$ 16,545</u>	<u>\$ 314,705</u>

<u>Tax Assessor Collector</u>	<u>Edward Petsch Arts Fund</u>	<u>Sheriff's Bond Account</u>	<u>Jail Commissary Account</u>	<u>Trish King Bond Account</u>	<u>County Clerk</u>	<u>Justice of the Peace # 6</u>	<u>Total</u>
\$ 4,883,051	\$ 229,506	\$ 41,308	\$ 10,301	\$ 69,088	\$ 8,054	\$ 56	\$ 5,720,325
<u>\$ 4,883,051</u>	<u>\$ 229,506</u>	<u>\$ 41,308</u>	<u>\$ 10,301</u>	<u>\$ 69,088</u>	<u>\$ 8,054</u>	<u>\$ 56</u>	<u>\$ 5,720,325</u>
\$ -	\$ -	\$ -	\$ 10,301	\$ -	\$ 8,054	\$ 56	\$ 18,411
4,883,051	-	-	-	-	-	-	4,962,938
<u>-</u>	<u>229,506</u>	<u>41,308</u>	<u>-</u>	<u>69,088</u>	<u>-</u>	<u>-</u>	<u>738,976</u>
<u>\$ 4,883,051</u>	<u>\$ 229,506</u>	<u>\$ 41,308</u>	<u>\$ 10,301</u>	<u>\$ 69,088</u>	<u>\$ 8,054</u>	<u>\$ 56</u>	<u>\$ 5,720,325</u>

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Internal Control and Compliance Report

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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**

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 12, 2019. Our report includes reference to other auditors who audited the financial statements of Pecos County Memorial Hospital, an enterprise fund of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance. The financial statements of Pecos County Memorial Hospital were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and response we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response to be a material weakness (2018-001). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Judge and
Members of the Commissioners Court
Pecos County, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under the Government Auditing Standards, and which is described in the accompanying schedule of finding and response as item 2018-001.

Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion of it.

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
August 12, 2019

Pecos County, Texas

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Current Year Financial Reporting Finding

Material Weakness in Internal Control over Financial Reporting

2018-001 Revenue Recognition

Criteria: The County should recognize revenue in accordance with generally accepted accounting principles (GAAP), including evaluating whether transactions should be accounted for as accounts receivable or deferred revenue.

Condition: There were material invoices not accrued for in a timely manner relating to grant programs which were not reviewed by the County in a timely manner. There was an agreement improperly recorded as a note receivable that should have been recorded as deferred revenue.

Cause: County management inadvertently excluded receipts related to grant programs from receivables. County management did not defer revenue recognition for a note receivable.

Effect: The County's prior year accounts receivable balances were incorrect resulting in prior period adjustment, as well as, current year deferred revenue was incorrect resulting in a current year adjustment.

Recommendation: The County should review receipts related to grant programs and evaluate whether they should be accrued as a receivable in a timely manner. The County should review agreements and determine whether revenue should be deferred if the activities do not provide current financial resources

Corrective Action: Management concurs with the recommendation. The County will implement a policy for the County Auditor to review and approve receipts related to granted programs that are paid subsequent to end of the year, as well as, review agreements that create note receivables and approve when to defer related revenues when necessary.

Pecos County, Texas

Status of Prior Year Findings and Responses

For the Year Ended December 31, 2017

Material Weakness in Internal Control over Financial Reporting

2017-001

Condition: There were material invoices not accrued for in a timely manner relating to grant programs which were not reviewed by the County in a timely manner.

Recommendation: The County should review invoices related to grant programs and evaluate whether they should be accrued as a liability in a timely manner.

Corrective Action: This audit finding was corrected in the current year.