

Reeves County, Texas

Annual Financial Report

For the Year Ended December 31, 2018



Reeves 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
Commissioners' Court of Reeves County,
Reeves County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Reeves County, Texas (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the governmental funds, internal service fund, and aggregate remaining governmental fund information; and (2) qualified audit opinion on the governmental activities, business type activities, and law enforcement fund.

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

Basis for Qualified Opinion

Management has not provided information regarding the County's cost of post-employment benefits other than retirement benefits, and were not able to satisfy ourselves about the existence, completeness, obligation, valuation, or accuracy of such costs and obligation by means of other auditing procedures. The County's liabilities, if any, for any other post-employment benefits would be reflected in activities recorded on the accrual basis. Accordingly, we were not able to determine the amounts that would have been reflected as additional liabilities and expenses, if any, for governmental activities, business type activities or the law enforcement fund.

Qualified Opinions

In our opinion, except for the effects, if any, of the matter discussed in the "Basis for Qualified Opinion" paragraph on the governmental activities, business type activities, and law enforcement fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the law enforcement fund, of Reeves County, Texas, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds, the internal service fund, and the aggregate remaining governmental fund information of Reeves County, Texas, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of Reeves County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
November 22, 2019

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Management's Discussion and Analysis

As management of Reeves County (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2018. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- At year-end, net position totaled \$144,814,635, an increase of \$8,056,202 from previous year. Of this amount, \$47,772,884 (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$31,154,663, an increase of \$2,807,048 in comparison with the prior year. Approximately \$24,112,918 of this total amount, 77%, is *available for spending* at the government's discretion.
- At the end of the current year, unassigned fund balance for the general fund was \$24,112,918, or 81.3 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The County maintains 47 individual governmental funds, excluding fiduciary funds, of which 30 are special revenue funds and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, and the Road and Bridge Fund, which are classified as major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 18 through 21 of this report.

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

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

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

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

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

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

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

Government-Wide Financial Analysis

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

Reeves County, Texas's Net Position

	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 80,263,656	\$ 55,526,397	\$ 40,186,727	36,344,955	\$ 120,450,383	\$ 91,871,352
Capital assets, net of accumulated depreciation	28,415,766	21,829,084	88,011,393	94,543,848	116,427,159	116,372,932
Total assets	108,679,422	77,355,481	128,198,120	130,888,803	236,877,542	208,244,284
Total deferred outflows of resources	171,005	3,637,994	1,667,100	5,235,165	1,838,105	8,873,159
Other liabilities	3,282,932	647,732	1,769,165	43,859,015	5,052,097	44,506,747
Long-term liabilities outstanding	8,011,020	8,179,581	35,683,129	3,159,364	43,694,149	11,338,945
Total liabilities	11,293,952	8,827,313	37,452,294	47,018,379	48,746,246	55,845,692
Total deferred inflows of resources	41,295,092	21,954,592	3,859,674	955,425	45,154,766	22,910,017
Net position:						
Net investment in capital assets	20,545,544	13,787,283	69,454,462	66,596,388	90,000,006	80,383,671
Restricted	7,041,745	7,797,087	-	-	7,041,745	7,797,087
Unrestricted	28,674,094	28,627,200	19,098,790	21,553,776	47,772,884	50,180,976
Total net position	\$ 56,261,383	\$ 50,211,570	\$ 88,553,252	\$ 88,150,164	\$ 144,814,635	\$ 138,361,734

The County's net position that represents resources that are subject to external restrictions on how they may be used at the close of this year were \$7,041,745. The unrestricted net position, \$49,219,638 may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

Governmental activities increased the County's net position by \$6,562,869. Key elements of this increase were due to the property taxes and transfers in the current year. Business-type activities increased the County's net position by \$1,493,333. This is mainly due to the decreases in law enforcement expenses.

Reeves County, Texas's Changes in Net Position						
	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 5,343,668	\$ 4,744,688	\$ 25,308,906	\$ 51,046,601	\$ 30,652,574	\$ 55,791,289
Operating grants and contributions	383,804	1,527,501	-	-	383,804	1,527,501
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property Taxes	29,876,946	22,545,391	-	-	29,876,946	22,545,391
Unrestricted investment income	705,239	199,269	310,130	-	1,015,369	199,269
Gain on involuntary conversion	203,814	-	567,619	-	771,433	-
Miscellaneous	793,708	525,061	1,422,069	-	2,215,777	525,061
Transfers	(3,000,000)	1,666,667	3,000,000	(1,666,667)	-	-
Total revenues	34,307,179	31,208,577	30,608,724	49,379,934	64,915,903	80,588,511
Expenses						
General government	8,144,222	2,539,817	-	-	8,144,222	2,539,817
Judicial	1,937,095	1,947,826	-	-	1,937,095	1,947,826
Financial administration	794,463	682,781	-	-	794,463	682,781
Corrections	295,311	267,764	-	-	295,311	267,764
Law enforcement	4,023,500	4,061,268	29,115,391	48,241,341	33,138,891	52,302,609
Health and welfare	264,236	209,881	-	-	264,236	209,881
Fire protection	212,375	389,072	-	-	212,375	389,072
Culture and recreation	1,350,571	881,930	-	-	1,350,571	881,930
County library	221,219	122,130	-	-	221,219	122,130
Maintenance	1,536,553	1,030,169	-	-	1,536,553	1,030,169
Conservation	1,936	19,822	-	-	1,936	19,822
Public service	636,855	571,496	-	-	636,855	571,496
Highway and streets	8,028,979	5,152,320	-	-	8,028,979	5,152,320
Interest on long-term debt and bond cost	296,995	244,698	-	-	296,995	244,698
Total expenses	27,744,310	18,120,974	29,115,391	48,241,341	56,859,701	66,362,315
Change in net position	6,562,869	13,087,603	1,493,333	1,138,593	8,056,202	14,226,196
Net position - beginning, as previously reported	50,211,570	36,417,561	88,150,164	87,011,571	138,361,734	123,429,132
Prior period adjustment	(513,056)	706,406	(1,090,245)	-	(1,603,301)	706,406
Net position-beginning, as restated	49,698,514	37,123,967	87,059,919	87,011,571	136,758,433	124,135,538
Net position-ending	\$ 56,261,383	\$ 50,211,570	\$ 88,553,252	\$ 88,150,164	\$ 144,814,635	\$ 138,361,734

Financial Analysis of the Governmental Funds

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

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

Governmental Funds. As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$31,154,663, an increase of \$2,807,048 in comparison with the prior year. Approximately \$24,112,918 of this total amount, 77%, constitutes unassigned fund balance.

Proprietary Funds. The unrestricted balance of the County's law enforcement fund at the end of the year amounted to \$81,101,189. The change in net position for this fund was an increase of \$767,847.

The unrestricted balance of the County's health self-insurance plan at the end of the year amounted to \$8,917,436. The change in net position for the fund was an increase of \$906,857.

General Fund Budgetary Highlights

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

- Actual revenue for 2018 were \$10,662,756 more than the final amended budget.
- Actual expenditures for 2018 were \$112,356 more than the final amended budget.
- Other financial sources were \$3,124,573 more than the final amended budget.

This resulted in a net increase in the general fund balance budget basis for the year of \$5,202,057.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets as of December 31, 2018, for its governmental activities as of December 31, 2018, amounts to \$28,415,766 (net of accumulated depreciation) and for its business-type activities amount to \$88,011,393 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and improvements, machinery and equipment, automotive equipment and infrastructure.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,876,405	\$ 1,876,405	\$ 5,330	\$ 5,330	\$ 1,881,735	\$ 1,881,735
Construction in process	3,964,836	1,289,911	162,885	-	4,127,721	1,289,911
Buildings and improvements	13,449,603	12,243,562	87,468,497	93,936,466	100,918,100	106,180,028
Machinery and equipment	5,955,197	3,529,060	316,268	514,262	6,271,465	4,043,322
Automotive equipment	1,277,216	853,307	58,413	87,790	1,335,629	941,097
Infrastructure	1,892,509	2,036,839	-	-	1,892,509	2,036,839
Totals	\$ 28,415,766	\$ 21,829,084	\$ 88,011,393	\$ 94,543,848	\$ 116,427,159	\$ 116,372,932

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

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

Reeves County, Texas's Outstanding Long-term Debt

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Governmental activities:				
Revenue bond	\$ 2,940,000	\$ -	\$ 120,000	\$ 2,820,000
Certificate of obligation	3,250,000	-	435,000	2,815,000
Notes payable	531,993	896,127	507,669	920,451
Capital lease obligations	1,319,808	623,953	628,990	1,314,771
Compensated absences	137,780	3,018	-	140,798
Total governmental activities	\$ 8,179,581	\$ 1,523,098	\$ 1,691,659	\$ 8,011,020
Business-type activities:				
Series 2010	14,350,000	-	2,750,000	11,600,000
Series 2010A	20,940,000	-	4,035,000	16,905,000
Series 2012	9,470,000	-	1,590,000	7,880,000
Unamortized discount	(1,011,231)	187,686	-	(823,545)
Compensated absences	110,246	11,428	-	121,674
Total business-type activities	\$ 43,859,015	\$ 199,114	\$ 8,375,000	\$ 35,683,129

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

Economic Factors and Next Year's Budgets and Rates

1. The average unemployment rate for Reeves County for 2018 was approximately 2.9%. This is in-line with the state's average unemployment rate of 4.0% and in line with the national average rate of 3.9%.
2. The oil and gas industry in the region is still stable. There continue to be drilling activity in the region as well as new homes and new hotels. As oil prices have begun to stabilize this has not had a significant impact on Reeves County.

All of these factors were considered in preparing the Reeves County's budget for 2018.

Requests for Information

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

Financial Statements

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

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 11,432,614	5,263,826	\$ 16,696,440
Investments	22,841,447	3,484,084	26,325,531
Receivables, net	42,235,759	5,689,980	47,925,739
Due from other government	43,364	59,698	103,062
Internal balances	1,465,373	(1,465,373)	-
Restricted assets:			
Investments	-	17,004,524	17,004,524
Net pension asset	2,245,099	10,149,988	12,395,087
Capital assets, not being depreciated:			
Land	1,876,405	5,330	1,881,735
Construction in process	3,964,836	162,885	4,127,721
Capital assets, net of accumulated depreciation:			
Buildings and improvements	13,449,603	87,468,497	100,918,100
Machinery and equipment	5,955,197	316,268	6,271,465
Automotive equipment	1,277,216	58,413	1,335,629
Infrastructure	1,892,509	-	1,892,509
Total assets	108,679,422	128,198,120	236,877,542
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	227,061	227,061
Deferred outflow of resources - net pension asset	171,005	1,440,039	1,611,044
Total deferred outflows of resources	171,005	1,667,100	1,838,105
LIABILITIES			
Accounts payable and other current liabilities	1,594,959	1,671,591	3,266,550
Estimated health claims payable	-	97,574	97,574
Due to other governments	1,687,973	-	1,687,973
Noncurrent liabilities:			
Due within one year	1,356,161	8,950,000	10,306,161
Due in more than one year	6,654,859	26,733,129	33,387,988
Total liabilities	11,293,952	37,452,294	48,746,246
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	40,836,755	-	40,836,755
Deferred inflows of resources - net pension asset	458,337	3,859,674	4,318,011
Total deferred inflows of resources	41,295,092	3,859,674	45,154,766
NET POSITION			
Net invested in capital assets	20,545,544	69,454,462	90,000,006
Restricted	7,041,745	-	7,041,745
Unrestricted	28,674,094	19,098,790	47,772,884
TOTAL NET POSITION	\$ 56,261,383	\$ 88,553,252	\$ 144,814,635

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

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

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 8,144,222	\$ 1,676,111	\$ -	\$ -
Judicial	1,937,095	289,531	-	-
Financial administration	794,463	-	-	-
Corrections	295,311	253,986	-	-
Law enforcement	4,023,500	145,690	-	-
Health and welfare	264,236	1,311,418	83,659	-
Fire protection	212,375	-	-	-
Culture and recreation	1,350,571	365,317	-	-
County library	221,219	19,884	3,282	-
Maintenance	1,536,553	-	-	-
Conservation	1,936	-	-	-
Public service	636,855	-	-	-
Highway and streets	8,028,979	1,281,731	296,863	-
Interest on long-term debt and bond cost	296,995	-	-	-
Total governmental activities	27,744,310	5,343,668	383,804	-
Business-type activities:				
Law enforcement	29,115,391	25,308,906	-	-
Total business-type activities	29,115,391	25,308,906	-	-
TOTAL PRIMARY GOVERNMENT	\$ 56,859,701	\$ 30,652,574	\$ 383,804	\$ -

General revenues:

Property Taxes
Unrestricted investment income
Gain on involuntary conversion
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as previously reported
Prior period adjustment

Net position, beginning of year, as restated

NET POSITION, ENDING

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

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

Governmental Activities	Business-type Activities	Total
\$ (6,468,111)	\$ -	\$ (6,468,111)
(1,647,564)	-	(1,647,564)
(794,463)	-	(794,463)
(41,325)	-	(41,325)
(3,877,810)	-	(3,877,810)
1,130,841	-	1,130,841
(212,375)	-	(212,375)
(985,254)	-	(985,254)
(198,053)	-	(198,053)
(1,536,553)	-	(1,536,553)
(1,936)	-	(1,936)
(636,855)	-	(636,855)
(6,450,385)	-	(6,450,385)
(296,995)	-	(296,995)
(22,016,838)	-	(22,016,838)
-	(3,806,485)	(3,806,485)
-	(3,806,485)	(3,806,485)
(22,016,838)	(3,806,485)	(25,823,323)
29,876,946	-	29,876,946
705,239	310,130	1,015,369
203,814	567,619	771,433
793,708	1,422,069	2,215,777
(3,000,000)	3,000,000	-
28,579,707	5,299,818	33,879,525
6,562,869	1,493,333	8,056,202
50,211,570	88,150,164	138,361,734
(513,056)	(1,090,245)	(1,603,301)
49,698,514	87,059,919	136,758,433
\$ 56,261,383	\$ 88,553,252	\$ 144,814,635

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

	General Fund	Road and Bridge Special Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,719,255	\$ 5,039,205	\$ 1,673,911	\$ 11,432,371
Investments	21,812,061	3,012	1,026,617	22,841,690
Interfund receivables	-	25,800	4,744	30,544
Due from other governments	47,876	-	103,062	150,938
Receivables (net)				
Property taxes	26,535,453	14,363,302	-	40,898,755
Other	1,170,618	-	166,386	1,337,004
TOTAL ASSETS	<u>\$ 54,285,263</u>	<u>\$ 19,431,319</u>	<u>\$ 2,974,720</u>	<u>\$ 76,691,302</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 532,048	\$ 767,502	\$ 94,897	\$ 1,394,447
Accrued payroll	152,921	41,369	6,222	200,512
Interfund payable	1,826,091	-	-	1,826,091
Total liabilities	2,511,060	808,871	101,119	3,421,050
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	26,485,513	14,351,242	-	40,836,755
Unavailable revenue - other revenues	1,175,772	-	103,062	1,278,834
Total deferred inflows of resources	27,661,285	14,351,242	103,062	42,115,589
FUND BALANCES				
Restricted:				
Road improvements	-	4,271,206	-	4,271,206
Legislation	-	-	928,012	928,012
Federal and state grants	-	-	235,807	235,807
Donations	-	-	1,606,720	1,606,720
Unassigned	24,112,918	-	-	24,112,918
Total fund balances	24,112,918	4,271,206	2,770,539	31,154,663
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 54,285,263</u>	<u>\$ 19,431,319</u>	<u>\$ 2,974,720</u>	<u>\$ 76,691,302</u>

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

Reeves County, Texas

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 31,154,663

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

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

Governmental capital assets costs	38,991,389	
Accumulated depreciation of governmental capital assets	(10,575,623)	28,415,766

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in business-type activities in the statement of net position, and only a small portion is allocated to governmental activities. 1,465,373

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 1,278,834

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Liabilities at year-end consist of:

Bonds payable	(5,635,000)	
Notes payable	(920,451)	
Capital lease obligations	(1,314,771)	
Compensated absences	(140,798)	(8,011,020)

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

Net pension asset	2,245,099	
Deferred outflows of resources - net pension asset	171,005	
Deferred inflows of resources - net pension asset	(458,337)	1,957,767

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 56,261,383**

Reeves County, Texas

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

	<u>General Fund</u>	<u>Road and Bridge Special Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 22,729,343	\$ 8,257,559	\$ -	\$ 30,986,902
Fines and forfeitures	1,480,770	1,219,619	26,096	2,726,485
Intergovernmental	255,385	5,913	200,492	461,790
Charges for services	375	26,350	1,524,767	1,551,492
Interest	582,563	78,382	44,294	705,239
Other	903,655	254,909	622,849	1,781,413
	<u>25,952,091</u>	<u>9,842,732</u>	<u>2,418,498</u>	<u>38,213,321</u>
Total revenues	25,952,091	9,842,732	2,418,498	38,213,321
EXPENDITURES				
Current:				
General government	3,978,960	317,230	464,620	4,760,810
Judicial	1,401,036	-	476,819	1,877,855
Corrections	778,163	-	336,656	1,114,819
Law enforcement	3,669	-	375,920	379,589
Health and welfare	3,379,513	-	6,222	3,385,735
Fire protection	251,309	-	-	251,309
Culture and recreation	212,375	-	1,042	213,417
County library	1,193,323	-	-	1,193,323
Maintenance	193,029	-	-	193,029
Conservation	1,525,218	-	-	1,525,218
Public service	1,734	-	207,498	209,232
Highways and streets	418,953	6,946,277	-	7,365,230
Capital outlay	5,613,118	2,783,055	1,074,978	9,471,151
Debt service:				
Principal	573,806	997,653	120,000	1,691,459
Interest	86,556	85,854	121,766	294,176
	<u>19,610,762</u>	<u>11,130,069</u>	<u>3,185,521</u>	<u>33,926,352</u>
Total expenditures	19,610,762	11,130,069	3,185,521	33,926,352
Excess (deficiency) of revenues over (under) expenditures	6,341,329	(1,287,337)	(767,023)	4,286,969
OTHER FINANCING SOURCES (USES)				
Transfers in	12,389	-	1,551,309	1,563,698
Transfers out	(3,577,000)	-	(986,698)	(4,563,698)
Proceeds from capital lease	785,672	734,407	-	1,520,079
	<u>(2,778,939)</u>	<u>734,407</u>	<u>564,611</u>	<u>(1,479,921)</u>
Total other financing sources (uses)	(2,778,939)	734,407	564,611	(1,479,921)
Net change in fund balance	3,562,390	(552,930)	(202,412)	2,807,048
Fund balance, beginning of year	<u>20,550,528</u>	<u>4,824,136</u>	<u>2,972,951</u>	<u>28,347,615</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 24,112,918</u></u>	<u><u>\$ 4,271,206</u></u>	<u><u>\$ 2,770,539</u></u>	<u><u>\$ 31,154,663</u></u>

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

Reeves County, Texas

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

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,807,048

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 depreciation exceeded capital outlay. 6,586,682

Revenues in the statement activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned by unavailable revenues). (1,109,956)

Current year long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions on long-term debt in the government-wide financial statements. Current year proceeds from issuance of debt are shown as revenue in the fund financial statements but are reported as an increase in long-term debt in the government-wide financial statements. 171,579

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. (2,073,855)

Internal service funds are used by management to charge the costs of self-insurance in individual funds. The change in net position of the internal service funds are included in business-type activities in the statement of activities. 181,371

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 6,562,869

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

	<u>Business-type Activities</u>	
	<u>Law Enforcement</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,348,615	\$ 2,915,211
Investments	384,285	3,099,799
Interfund receivables	59,698	3,000,000
Accounts receivable - trade	2,206,333	-
Accounts receivable - other	3,483,647	-
Restricted assets:		
Investments	17,004,524	-
Total current assets	25,487,102	9,015,010
Noncurrent assets:		
Property, plant and equipment:		
Land	5,330	-
Buildings and investments	136,953,989	-
Automotive equipment	366,226	-
Machinery and equipment	6,310,859	-
Work in progress	162,885	-
Less:		
Accumulated depreciation	(55,787,896)	-
Net property, plant and equipment	88,011,393	-
Net pension asset	10,149,988	-
Total noncurrent assets	98,161,381	-
Total assets	123,648,483	9,015,010
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	227,061	-
Deferred outflow of resources - net pension asset	1,440,039	-
Total deferred outflows of resources	1,667,100	-
LIABILITIES		
Current liabilities:		
Accounts payable - trade	1,259,052	-
Accrued payroll	219,170	-
Interfund payables	3,000,000	-
Accrued interest	193,369	-
Current portion of long term debt	8,950,000	-
Estimated health claims payable	-	97,574
Total current liabilities	13,621,591	97,574
Noncurrent liabilities:		
Accrued compensated absences	121,674	-
Long term debt, net	26,611,455	-
Total noncurrent liabilities	26,733,129	-
Total liabilities	40,354,720	97,574
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources - net pension asset	3,859,674	-
Total deferred inflows of resources	3,859,674	-
NET POSITION		
Net investment in capital assets	69,454,462	-
Unrestricted	11,646,727	8,917,436
Total net position	\$ 81,101,189	\$ 8,917,436
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	\$ 7,452,063	
TOTAL NET POSITION	<u>\$ 88,553,252</u>	

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

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

	Business-type Activities	
	Law Enforcement	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 25,211,498	\$ 3,228,653
Other revenue	-	121,760
Total operating revenues	25,211,498	3,350,413
OPERATING EXPENSES		
Salaries and benefits	9,341,458	-
Supplies	5,166,429	-
Contractual services	109,175	-
Equipment	120,834	-
Utilities	2,536,893	-
Insurance	1,906,391	-
Repairs and maintenance	1,032,125	-
Management fees	2,085,820	-
Depreciation expense	3,888,021	-
Amortization expense	265,534	96,518
Claims	-	2,485,030
Other operating expenses	301,096	3,145
Total operating expenses	26,753,776	2,584,693
Operating income (loss)	(1,542,278)	765,720
NON-OPERATING REVENUES (EXPENSES)		
Interest earned on investments	310,130	141,137
Interest expense	(2,989,693)	-
Total non-operating revenues (expenses)	(2,679,563)	141,137
OTHER FINANCING SOURCES (USES)		
Transfers in	3,042,000	-
Transfers out	(42,000)	-
Gain on facility involuntary conversion	567,619	-
Other	1,422,069	-
Total other financing sources (uses)	4,989,688	-
Change in net position	767,847	906,857
Net position, beginning of year, as previously reported	81,423,587	8,010,579
Prior period adjustment	(1,090,245)	-
Net position, beginning of year, as restated	80,333,342	8,010,579
NET POSITION, END OF YEAR	\$ 81,101,189	\$ 8,917,436
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES		
Change in net position	\$ 767,847	\$ -
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	725,486	-
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 1,493,333	\$ -

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

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

	<u>Business-type Activities</u>	
	<u>Law Enforcement</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges	\$ 25,022,271	\$ -
Cash received from other funds for services	-	3,228,653
Cash received from other revenue	-	121,760
Cash paid to employees	(9,224,473)	-
Cash paid for goods and services	(14,679,439)	(2,611,392)
Net cash provided by operating activities	1,118,359	739,021
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out) from other funds, net	4,989,688	-
Increase (decrease) in interfund receivable / payable	3,000,000	(3,000,000)
Net cash provided by in noncapital financing activities	7,989,688	(3,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on debt	(8,375,000)	-
Interest paid on debt	(2,989,693)	-
Acquisition and construction of capital assets	(271,594)	-
Net cash used in capital and related financial activities	(11,636,287)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received on investments	310,130	141,137
Sale of investments	2,463,589	4,882,509
Net cash provided by investing activities	2,773,719	5,023,646
Net increase in cash and cash equivalents	245,479	2,762,667
CASH AND CASH EQUIVALENTS, beginning of year	2,103,136	152,544
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,348,615</u>	<u>\$ 2,915,211</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,542,278)	\$ 765,720
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,153,555	-
Accounts receivable	(189,227)	-
Accounts payable	(1,420,676)	-
Accrued payroll	105,557	-
Accrued compensated absences	11,428	-
Estimated health claim payable	-	(26,699)
Total adjustments	2,660,637	(26,699)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,118,359</u>	<u>\$ 739,021</u>

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

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

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 18,889,003
Investments	<u>27,245,933</u>
TOTAL ASSETS	<u>\$ 46,134,936</u>
LIABILITIES	
Due to other governments	\$ 10,840,310
Due to primary government	1,687,973
Due to beneficiaries	<u>33,606,653</u>
TOTAL LIABILITIES	<u>\$ 46,134,936</u>

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

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Notes to the Financial Statements

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

2. Basic Financial Statements

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

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

3. Required Supplementary Information

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

Reeves County, Texas

Notes to the Financial Statements

A. Reporting Entity

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

Blended Component Unit

RCDC Improvements, Bond Trustee is a legally separate entity who is fiscally dependent on Reeves County and also provides services entirely to Reeves County. Reeves County owns the land in which the County leases the land and the RCDC improvements back from the Trustee in a lease-lease back transaction. The RCDC improvements and related certificates are assets and liabilities of the Trustee, which exceeded approximately \$82,700,000 (approximately \$123,000,000 in assets and \$40,300,000 in related debt). The lease payments are used to service the debt of the certificates. The financial information for the blended component unit is included in the Law Enforcement Enterprise Fund.

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

RCDC Units 1 & 2 closed on July 31, 2017. Bureau of Prisons inmates were transitioned over to RCDC 3. RCDC Units 1 & 2 are currently closed, however the building and grounds are currently being maintained by the County. The County has been working with outside vendors to procure new contract opportunities with Immigration and Customs Enforcement, as well as the U.S. Marshall's service.

Discrete Component Units

There are no discrete component units.

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

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

Reeves County, Texas

Notes to the Financial Statements

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

Reeves County, Texas

Notes to the Financial Statements

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Reeves County, Texas

Notes to the Financial Statements

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

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

General Fund

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

Special Revenue Funds

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

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

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

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

Governmental Fund Types

The government reports the following major governmental funds:

General Fund

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

Road and Bridge Fund

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

Other Governmental Funds

The non-major governmental funds include:

Special Revenue Funds

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

Reeves County, Texas

Notes to the Financial Statements

Proprietary Fund Types

Enterprise Fund

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

Internal Service Funds

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

Fiduciary Fund Type – Agency Funds

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

D. Cash and Cash Equivalents

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

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's cash deposits at December 31, 2018, were not entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank. See Note 4.

E. Investments

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

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

TexPool

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

Reeves County, Texas

Notes to the Financial Statements

Money Market

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

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

F. Receivables and Payables

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

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

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

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

Taxes are levied on October 1, in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before July 1 of the following year unless the two-payment option is available for paying taxes with the first half due November 30 and the second half due June 30 of the following year. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The tax rate for the year ended December 31, 2018 for all purposes was \$0.49952 per \$100 valuation.

For government-wide financial statements, an allowance equal to 4% of the outstanding taxes at December 31, 2018, has been reported. The tax is levied based on the estimated market values as determined by the Reeves County Appraisal District.

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

The total amount of the current levy is deferred at both the fund and government-wide level.

G. Accumulated Compensated Absences

It is the County's policy to permit employees to accumulate a limited amount of earned, but unused vacation and compensatory time. No more than five days of accrued vacation may be carried over from year to year. Unused vacation will be paid to employees upon separation from the County's service. It is the County's policy that compensatory time shall not exceed 240 hours for regular employees and 480 hours for law enforcement employees. Total accumulated vacation and compensatory time at year-end was \$140,798 for governmental activities and \$121,674 for business-type activities.

Reeves County, Texas
Notes to the Financial Statements

H. Pensions

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

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

I. Capital Assets

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

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

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

J. Long-term Obligations

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

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

Reeves County, Texas

Notes to the Financial Statements

K. Fund Equity

Fund Balance

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

1. Nonspendable fund balance represents amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The County has no nonspendable fund balance at December 31, 2018.
2. Restricted fund balance represents amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance includes amounts constrained to specific purposes determined by a formal action of the County itself, using its highest level of decision-making authority (Commissioners' Court). To be reported as committed amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint. The County has no committed fund balance at December 31, 2018.
4. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned. The County has no assigned fund balance at December 31, 2018.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

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

Net Position

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

L. Use of Estimates

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

M. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During 2018, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there was only one settlement exceeding insurance coverage (by \$100,000) in the past three years.

Reeves County, Texas

Notes to the Financial Statements

N. Post-Employment Healthcare Benefits

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

Plan Description

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

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

Funding Policy

The Commissioners' Court, as the governing body of the County, approves Other Postemployment Benefits (OPEB) on a year-to-year basis during the annual budget process and has not created a constitutionally valid obligation for OPEB beyond 2018. While retirees have statutory authority to purchase continuing healthcare on the otherwise subsidized retiree premiums. To be eligible for this benefit in years where the benefit is provided, one must be a County retiree or dependent of a County retiree. Based on the County's Plan only 75 retirees qualified for the 2018 Plan.

The County is self-insured for employee and retiree health care. During 2018, the County incurred \$2,457,275 in health insurance claims which includes actuarially determined claims incurred but not yet reported (IBNR).

In June 2004, GASB issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement established standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County has not implemented the requirements of GASB Statement No. 45, which became effective for the County in 2018.

Methods and Assumptions

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

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

O. Federal and State Grant Entitlements

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

Reeves County, Texas
 Notes to the Financial Statements

P. Subsequent Events

The County has evaluated events subsequent to December 31, 2018, the balance sheet date, through November 22, 2019, the date the financial statement were available to be issued.

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

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

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The amount of this reconciliation was \$8,011,020.

Another element of that reconciliation states that “certain assets are not available to pay for current-period expenditures and therefore, are deferred funds”. The \$1,278,834 difference is due to property tax receivable and other deferred revenues.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$6,586,682 difference is as follows:

Capital outlay	\$ 7,520,100
Capital lease assets	623,953
Depreciation expense	<u>(1,557,371)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 6,586,682</u></u>

Another element of that reconciliation states “revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds (i.e. deferred revenues and earned but unavailable revenues)”. The \$2,373,611 difference is due to property tax revenue and other deferred revenues

Reeves County, Texas
Notes to the Financial Statements

Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this \$171,579 difference is as follows:

Principal repayments:	
Notes payable	\$ 507,669
Bonds	555,000
Capital lease obligations	628,990
Note payable proceeds	(896,127)
Capital lease proceeds	<u>(623,953)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	 <u><u>\$ 171,579</u></u>

Another element of that reconciliation states that “some expenses and revenues reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures and revenues in governmental funds.” The detail of this \$2,073,855 difference is as follows:

Change in compensated absences	\$ (3,018)
Pension expense	<u>(2,070,837)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	 <u><u>\$ (2,073,855)</u></u>

Note 3. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the year ended December 31, 2018, the General fund had excess expenditures over appropriations of \$112,356 and the Road and Bridge fund had excess expenditures of \$1,554,531. These were caused by lack of budgeting for principal and interest payments, and capital outlay expenditures.

Note 4. Cash and Investments

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

A. Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The County’s deposits were not fully insured or collateralized as required by the state statutes at December 31, 2018. At year-end, the carrying amount of the County’s deposits was \$16,696,440 in cash and cash equivalents, and \$20,489,950 in agency funds and the respective bank balances totaled \$37,186,147. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$250,000 and \$15,000,000 was covered by collateral held by the pledging bank’s agent for the County in the County’s name, resulting in an under pledged amount of \$21,936,147.

Reeves County, Texas

Notes to the Financial Statements

Investment Policies

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

B. Investments

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

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

During the year ended December 31, 2018, the County invested in mutual funds with TexPool Investment Pool.

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

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

Reeves County, Texas
Notes to the Financial Statements

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

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

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

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

	Fair Value	Level 1 Inputs	Percent of Total Investment	Weighed Average Maturity (Days)	Credit Credit Risk
Investments measured at amortized cost					
Texpool	\$ 22,841,447	\$ -	0%	48	AAAm - S & P
Investments by fair value level					
Money Market	3,484,084	3,484,084	17%	-	N/A
Bank of New York Mellon CD	<u>17,004,524</u>	<u>17,004,524</u>	<u>83%</u>	<u>-</u>	<u>BBBm - S & P</u>
Total	<u>\$ 43,330,055</u>	<u>\$ 20,488,608</u>	<u>100%</u>	<u>48</u>	
Total Portfolio Weighted Average				48	

Weighted average maturity of the portfolio by investment type reflected in the table is stated in days. For the investment pool, the recent weighted average is presented based on the statewide investment pool.

Investments include restricted investments of \$17,004,524.

C. Interest Rate Risk

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

Reeves County, Texas
Notes to the Financial Statements

D. Credit Risk

In compliance with the County's investment policy, as of December 31, 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 US Agencies Notes that were rated AAA, AAA, and Aaa by Standard & Poor's, Fitch and Moody's respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

Note 5. Receivables

Receivables as of December 31, 2018, for the County's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Road and Bridge	Non Major Governmental	Law Enforcement	Total
Receivables:					
Property taxes	\$ 27,625,746	\$ 14,977,124	\$ -	\$ -	\$ 42,602,870
Accounts	875,902	-	-	2,206,333	3,082,235
Other	294,716	-	166,386	-	461,102
	<u>28,796,364</u>	<u>14,977,124</u>	<u>166,386</u>	<u>2,206,333</u>	<u>46,146,207</u>
Gross receivables					
Less: allowance for uncollectible	<u>(1,090,293)</u>	<u>(613,822)</u>	<u>-</u>	<u>-</u>	<u>(1,704,115)</u>
Net total receivables	<u><u>\$ 27,706,071</u></u>	<u><u>\$ 14,363,302</u></u>	<u><u>\$ 166,386</u></u>	<u><u>\$ 2,206,333</u></u>	<u><u>\$ 44,442,092</u></u>

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

At the end of the current year, there are various components of deferred revenue and unearned revenue reported in the governmental funds which are not considered to be available, in the amount of \$40,836,755.

Note 6. Compensated Absences

County policy allows the accrual of vacation and compensatory time benefits for all employees other than elected and appointed officials. The expense of the benefits is recognized when incurred. Vacation and compensatory pay are paid upon termination. The liability for accrued vacation and compensatory pay is shown as a long-term obligation. At December 31, 2018, the value of accumulated vacation and compensatory benefits amounted to \$140,798 for governmental activities, which is an increase of \$3,018 from the prior year and was \$121,674 for business-type activities, which is a increase of \$11,428 from the prior year.

Reeves County, Texas
Notes to the Financial Statements

Note 7. Capital Assets

Capital asset acquisition and disposal of the reporting entity was restricted to activities of the primary government only. Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,876,405	\$ -	\$ -	\$ 1,876,405
Construction in process	1,289,911	2,674,925	-	3,964,836
Total capital assets, not being depreciated	<u>3,166,316</u>	<u>2,674,925</u>	<u>-</u>	<u>5,841,241</u>
Capital assets, being depreciated:				
Buildings and improvements	16,239,180	2,268,435	(927,266)	17,580,349
Machinery and equipment	6,345,362	3,714,483	(771,965)	9,287,880
Automotive equipment	3,317,522	702,915	(42,777)	3,977,660
Infrastructure	2,304,259	-	-	2,304,259
Total capital assets, being depreciated:	<u>28,206,323</u>	<u>6,685,833</u>	<u>(1,742,008)</u>	<u>33,150,148</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,995,618)	(395,217)	260,089	(4,130,746)
Machinery and equipment	(2,816,302)	(738,818)	222,437	(3,332,683)
Automotive equipment	(2,464,215)	(279,006)	42,777	(2,700,444)
Infrastructure	(267,420)	(144,330)	-	(411,750)
Total accumulated depreciation	<u>(9,543,555)</u>	<u>(1,557,371)</u>	<u>525,303</u>	<u>(10,575,623)</u>
Total capital assets being depreciated, net	<u>18,662,768</u>	<u>5,128,462</u>	<u>(1,216,705)</u>	<u>22,574,525</u>
Governmental activities capital assets, net	<u>\$ 21,829,084</u>	<u>\$ 7,803,387</u>	<u>\$ (1,216,705)</u>	<u>\$ 28,415,766</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,330	\$ -	\$ -	\$ 5,330
Construction in process	-	162,885	-	162,885
Total capital assets, not being depreciated	<u>5,330</u>	<u>162,885</u>	<u>-</u>	<u>168,215</u>
Capital assets, being depreciated:				
Buildings and improvements	142,077,499	-	(5,123,510)	136,953,989
Machinery and equipment	6,202,150	108,709	-	6,310,859
Automotive equipment	366,226	-	-	366,226
Total capital assets, being depreciated:	<u>148,645,875</u>	<u>108,709</u>	<u>(5,123,510)</u>	<u>143,631,074</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,141,033)	(3,551,941)	2,207,482	(49,485,492)
Machinery and equipment	(5,687,888)	(306,703)	-	(5,994,591)
Automotive equipment	(278,436)	(29,377)	-	(307,813)
Total accumulated depreciation	<u>(54,107,357)</u>	<u>(3,888,021)</u>	<u>2,207,482</u>	<u>(55,787,896)</u>
Total capital assets being depreciated, net	<u>94,538,518</u>	<u>(3,779,312)</u>	<u>(2,916,028)</u>	<u>87,843,178</u>
Business-type activities capital assets, net	<u>\$ 94,543,848</u>	<u>\$ (3,616,427)</u>	<u>\$ (2,916,028)</u>	<u>\$ 88,011,393</u>

Reeves County, Texas
Notes to the Financial Statements

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

Governmental activities:	
General government	\$ 292,511
Law enforcement	201,910
Corrections	5,759
Culture and recreation	146,448
Conservation	202
Health and welfare	6,705
Maintenance	32,467
Road and bridge	830,851
Library	26,051
Highway and streets	11,161
Public service	<u>3,306</u>
Total depreciation expense - governmental activities	<u>\$ 1,557,371</u>
Business-type activities:	
Law enforcement center	<u>\$ 3,888,021</u>
Total depreciation expense - business-type activities	<u>\$ 3,888,021</u>

During 2018 various buildings incurred hail damage that resulted losses to property value for the law enforcement and general funds. As of December 31, 2018, insurance proceeds were accrued for in accounts receivable other in the law enforcement fund and accounts receivable for general fund in the amount of \$3,483,647 and \$867,911 respectively. The net property damage less these proceeds resulted in a gain from involuntary conversion of \$771,443.

Note 8. Interfund Transfers, Receivables, and Payables

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

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

Reeves County, Texas
Notes to the Financial Statements

Interfund transfers for the year ended December 31, 2018, are as follows:

	Interfund Transfers	
	Transfer In	Transfer Out
Governmental funds:		
General fund	\$ 12,389	\$ 3,577,000
Non-major governmental funds:		
Madera valley water	2,000	-
Juvenile probation	102,721	-
Drug task force	-	4,126
State aid	49,454	49,454
Forfeiture fund	22,134	-
Community corrections program	-	2,311
Housing rehabilitation	-	12,003
Border star grant	-	18,008
Gates library grant	-	345
Repayment grant	-	41
Graffiti fund	-	410
Venue project	900,000	900,000
Meals on wheels	50,000	-
Inmate transportation	425,000	-
Enterprise fund:		
Law enforcement center	3,042,000	42,000
Total all funds	\$ 4,605,698	\$ 4,605,698

Interfund receivables and payables as of December 31, 2018, are as follows:

	Interfund Balances	
	Rceivables	Payables
Agency fund	\$ 1,687,973	\$ -
General fund	47,876	1,826,091
Road and bridge fund	25,800	-
Court records management	863	-
Juvenile probation	431	-
State aid	431	-
Meals on wheels	431	-
Inmate transportation	2,588	-
Law enforcement fund	59,698	3,000,000
Internal service fund	3,000,000	-
Total all funds	\$ 4,826,091	\$ 4,826,091

Reeves County, Texas
Notes to the Financial Statements

Note 9. Long-Term Debt

A. Governmental Activities:

The following is a summary of debt transactions for governmental activities of the County for the year ended December 31, 2018:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental activities:					
Revenue bond	\$ 2,940,000	\$ -	\$ 120,000	\$ 2,820,000	\$ 125,000
Certificate of obligation	3,250,000	-	435,000	2,815,000	440,000
Notes payable	531,993	896,127	507,669	920,451	305,325
Capital lease obligations	1,319,808	623,953	628,990	1,314,771	485,836
Other liabilities-compensated absences	137,780	3,018	-	140,798	-
Total governmental activities	<u>\$ 8,179,581</u>	<u>\$ 1,523,098</u>	<u>\$ 1,691,659</u>	<u>\$ 8,011,020</u>	<u>\$ 1,356,161</u>

1. Notes Payable

Notes payable as of December 31 consisted of the following:

	<u>2018</u>
Multiple heavy equipment loan	\$ 527,887
Tractor equipment loan	39,883
Tire roller loan	45,461
Backhoe loader loan	29,298
Computer equipment loan	<u>277,922</u>
	920,451
Current portion of notes payable	<u>(305,325)</u>
Notes payable, net of current maturities	<u>\$ 615,126</u>

On January 29, 2015, the County purchased multiple pieces of heavy equipment with a \$923,300 note payable from a financial institution. The note matures on January 29, 2020 and bears an interest rate of 2.90%. Principal and interest are payable in annual installments of \$195,364, which are paid directly from governmental funds. The note is secured by the equipment.

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

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

Reeves County, Texas
Notes to the Financial Statements

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

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

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 305,325	\$ 31,303	\$ 336,628
2020	218,830	28,442	247,272
2021	206,194	18,686	224,880
2022	<u>190,102</u>	<u>19,466</u>	<u>209,568</u>
Remaining balance	<u><u>\$ 920,451</u></u>	<u><u>\$ 97,897</u></u>	<u><u>\$ 1,018,348</u></u>

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

2. Taxable Revenue Bond

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

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

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

3. Certificate of Obligation

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

Reeves County, Texas
Notes to the Financial Statements

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

B. Business-type Activities:

The following is a summary of debt transactions for business-type activities of the County for the year ended December 31, 2018:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Certifications of participant-Series 2010	\$ 14,350,000	\$ -	\$ 2,750,000	\$ 11,600,000	\$ 2,970,000
Certifications of participant-Series 2010A	20,940,000	-	4,035,000	16,905,000	4,270,000
Certifications of participant-Series 2012	9,470,000	-	1,590,000	7,880,000	1,710,000
Unamortized discount	(1,011,231)	187,686	-	(823,545)	-
Other liabilities-compensated absences	110,246	11,428	-	121,674	-
Total	\$ 43,859,015	\$ 199,114	\$ 8,375,000	\$ 35,683,129	\$ 8,950,000

Certificates of Participation

Series 2010

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

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

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

Reeves County, Texas

Notes to the Financial Statements

The certificates also are subject to extraordinary redemption, without premium, in the event that (1) the County fails to appropriate funds sufficient to make the lease rental payments, (2) the sublease is terminated, (3) an event of default shall have occurred, (4) funds designated for such redemption are transferred from the certificate reserve account, (5) all or a substantial part of the facility is destroyed or condemned and the County elects to use the insurance proceeds or condemnation award to prepay its obligations under the sublease, or (6) the County determines that all or any portion of the funds on deposit in the 2010 Construction Subaccount will not be disbursed in connection with the 2010 project and directs the Trustee to apply such funds to the extraordinary redemption of the certificates.

The County is required to accumulate and maintain a \$3,000,000 surplus balance within the County's Depository Fund as an unrestricted internal reserve to be used for operating, maintaining and equipping the Center, and if necessary and if so appropriated, for the payment of lease rental deposits and the insurer amounts.

The County covenants to perform an internal calculation on each June 30 and December 31 to determine if the \$3,000,000 surplus in the depository fund has been attained.

If, on any June 30 or December 31 the surplus balance decreases below \$3,000,000, the County will direct the Trustee, within ten business days of each June 30 or December 31 to withdraw all or any portion of the amount on deposit in the lease rental deposit reserve account up to the amount of such surplus deficit, and to transfer such amount to the lease rental deposit fund to be used for the payment of the lease rental deposits next due.

Series 2010A

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

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

The certificates distribution dates shall be the first day of March, June, September, and December, commencing March 1, 2011, and at the stated redemption date of each certificate or upon its earlier redemption. The series 2010A refunding certificates were subject to optional redemption at par prior to maturity, in whole or in part, on December 1, 2015, and on each certificate distribution date thereafter plus accrued interest to the redemption date.

Reeves County, Texas

Notes to the Financial Statements

The series 2010A refunding certificates also are subject to extraordinary redemption, without premium, in the event that (1) the County fails to appropriate funds sufficient to make the lease rental payments, (2) the sublease is terminated, (3) an event of default shall have occurred, (4) funds designated for such redemption are transferred from the certificate reserve account, or (5) all or a substantial part of the facility is destroyed or condemned and the County elects to use the insurance proceeds or condemnation award to prepay its obligations under the sublease.

The County is required to accumulate and maintain a \$3,000,000 surplus balance within the County's depository fund as an unrestricted internal reserve to be used for operating, maintaining and equipping the Center, and if necessary and if so appropriated, for the payment of lease rental deposits and the insurer amounts. The County covenants to perform an internal calculation on each June 30 and December 31 to determine if the \$3,000,000 surplus in the depository fund has been attained.

If, on any June 30 or December 31 the surplus balance decreases below \$3,000,000, the County will direct the trustee, within ten business days of each June 30 or December 31, to withdraw all or any portion of the amount on deposit in the lease rental deposit reserve account up to the amount of such surplus deficit, and to transfer such amount to the lease rental deposit fund to be used for the payment of the lease rental deposits next due.

Series 2012

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

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

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

Reeves County, Texas
Notes to the Financial Statements

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

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

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,950,000	\$ 2,320,426	\$ 11,270,426
2020	9,585,000	1,683,151	11,268,151
2021	<u>17,850,000</u>	<u>973,106</u>	<u>18,823,106</u>
Remaining balance	<u><u>\$ 36,385,000</u></u>	<u><u>\$ 4,976,683</u></u>	<u><u>\$ 41,361,683</u></u>

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

Note 10. Capital Lease Obligations

The County is obligated under various capital leases for equipment, which cost \$3,772,902.

Future minimum lease payments as of December 31, 2018, are as follows:

<u>Years Ending December 31,</u>	<u>General Fund</u>
2019	\$ 533,124
2020	363,487
2021	346,512
2022	127,414
2023	<u>65,382</u>
Total minimum lease payments	1,435,919
Less amounts representing interest	<u>(121,148)</u>
Present value of net minimum capital lease payments	1,314,771
Less current obligations under capital lease	<u>(485,836)</u>
Obligations under capital leases less current portion	<u><u>\$ 828,935</u></u>

Reeves County, Texas
Notes to the Financial Statements

Reeves County sub-leases the RCDC improvements from the Bond Trustee under a restated master sub-lease that ends when the County purchases the Trustee’s interest in the RCDC improvements, or when no bonds remain outstanding. Should monies be insufficient to satisfy the County’s rental obligation in any year, the County may terminate the sub-lease. Payments of \$11,001,243 for 2018 were recorded in the Law Enforcement Center Fund.

Note 11. Operating Lease Obligations

Reeves County has entered into several operating leases for equipment.

Future minimum lease payments as of December 31, 2018 are as follows:

Governmental and Business-type Activities:

<u>Years Ending December 31,</u>	<u>Payment</u>
2019	\$ 40,742
2020	17,155
2021	<u>2,625</u>
Total	<u><u>\$ 60,522</u></u>

Note 12. Tax Assessor’s Fund

This fund consists of collections received for the state of Texas. The monies collected were paid over, in total, on a monthly basis. The amounts held as of December 31, 2018 for the state of Texas for motor vehicle sales tax and vehicle inventory tax were \$187,090. This amount is included in cash and cash equivalents of governmental activities.

Note 13. Self-Funded Insurance Plan

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

If the claim is subsequently paid, the employee could receive a check from Blue Cross Blue Shield but normally it goes directly to the provider of the service. The insurance company then drafts the County’s bank account for the amount. At year-end, the account had \$3,099,799 deposited at the bank and with TexPool.

	<u>2018</u>
Unpaid claims - January 1	\$ 124,273
Incurred claims (including IBNR)	2,457,275
Claim payments	<u>(2,483,974)</u>
Unpaid claims - December 31	<u><u>\$ 97,574</u></u>

Reeves County, Texas
Notes to the Financial Statements

Note 14. Employee Retirement Benefits

A. Plan Description

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

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

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

B. Benefits Provided

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

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

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

Retirees or beneficiaries currently receiving benefits	214
Inactive employees entitle to but not yet receiving benefits	377
Active employees	<u>346</u>
Total	<u><u>937</u></u>

C. Contributions

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

Reeves County, Texas
Notes to the Financial Statements

D. 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 Asset 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	8.00%
Payroll Growth	2.50%

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the years 2009-2012.

Reeves County, Texas
Notes to the Financial Statements

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US equities	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%	75.00%
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%	

Reeves County, Texas
Notes to the Financial Statements

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

Changes in the Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2016	\$ 69,789,346	\$ 73,975,785	\$ (4,186,439)
Changes for the year:			
Service cost	3,808,770	-	3,808,770
Interest on total pension liability ⁽¹⁾	5,770,524	-	5,770,524
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(4,174,621)	-	(4,174,621)
Effect of assumptions changes or inputs	288,526	-	288,526
Refund of contributions	(1,995,880)	(1,995,880)	-
Benefit payments	(2,811,884)	(2,811,884)	-
Administrative expenses	-	(55,244)	55,244
Member contributions	-	1,603,458	(1,603,458)
Net investment income	-	10,772,134	(10,772,134)
Employer contributions	-	1,603,458	(1,603,458)
Other ⁽³⁾	-	(21,959)	21,959
Balances as of December 31, 2017	\$ 70,674,781	\$ 83,069,868	\$ (12,395,087)

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

⁽²⁾ No plan changes valued.

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

Reeves County, Texas
Notes to the Financial Statements

The following presents the net pension liability of the County as of December 31, 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	\$ 80,298,208	\$ 70,674,781	\$ 62,738,945
Fiduciary net pension	83,069,868	83,069,868	83,069,868
Net pension liability / (asset)	\$ (2,771,660)	\$ (12,395,087)	\$ (20,330,923)

E. 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 \$3,866,652 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	\$ 3,721,470	\$ -
Changes in assumptions	-	451,359
Net difference between projected and actual investment earnings	596,541	-
Contributions subsequent to the measurement date	-	1,159,685
Total	\$ 4,318,011	\$ 1,611,044

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$1,159,685 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 30, 2019). Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2018	\$ (930,075)
2019	(996,622)
2020	(970,609)
2021	(969,346)
Total	\$ (3,866,652)

Reeves County, Texas
Notes to the Financial Statements

Note 15. Contingent Liabilities

A. Federal and State Assisted Programs

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

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

B. Litigation

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

Note 16. Prior Period Adjustment

The County overstated prior year pension expenses with a corresponding overstatement in deferred outflows from contributions in the prior year for governmental activities and business type activities. In the accompanying financial statements the County has restated beginning of the year net position to correct the error in the prior year financial statements. The effect on change in net position for 2017 in governmental activities was \$513,056, as well as, the effect on change in net position for 2017 business type activities and law enforcement fund was \$1,090,245.

	Governmental Activities	Business Type Activities	Law Enforcement Fund
Beginning net position, as previously reported	\$ 50,211,570	\$ 88,150,164	\$ 81,423,587
Correct expenditures erroneously recorded in prior period	(513,056)	(1,090,245)	(1,090,245)
Beginning net position, as restated	<u>\$ 49,698,514</u>	<u>\$ 87,059,919</u>	<u>\$ 80,333,342</u>

Note 17. Tax Abatements

The County negotiates property tax abatement agreements on an individual basis. The County has a tax abatement agreement with one entity as of December 31, 2018.

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Promote business expansion and economic growth	100%	\$ 420,695

Reeves County, Texas

Notes to the Financial Statements

The above described agreement includes a provision for the entity to make annual payments in lieu of taxes abated. As of December 31, 2018, payments in lieu of taxes amounted to \$8,000,000 and is included in general revenues in the statement of activities.

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

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

Note 18. 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.

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.

Reeves County, Texas
Notes to the Financial Statements

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 Supplementary Information

Reeves County, Texas

Texas County District Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Employees of Reeves County For the Year Ended December 31, 2018

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

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

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

(2) No plan changes valued.

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

Reeves County, Texas
Texas County District Retirement System
Schedule of Employer Contributions
For the Year Ended December 31, 2018

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

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

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Variance - Positive (Negative)
REVENUES						
Taxes	\$ 14,854,821	\$ 14,854,821	\$ 22,729,343	\$ 1,687,542	\$ 24,416,885	\$ 9,562,064
Fines and forfeitures	1,040,000	1,198,232	1,480,770	-	1,480,770	282,538
Intergovernmental	300,000	300,000	255,385	-	255,385	(44,615)
Charges for services	600	600	375	-	375	(225)
Interest	36,200	36,200	582,563	-	582,563	546,363
Other	449,924	587,024	903,655	-	903,655	316,631
Total revenues	16,681,545	16,976,877	25,952,091	1,687,542	27,639,633	10,662,756
EXPENDITURES						
General government:						
Office of County Judge	206,151	216,398	201,454	-	201,454	14,944
Office of County Clerk	374,420	404,467	407,597	-	407,597	(3,130)
Commissioners' Court	398,911	410,070	12,789	-	12,789	397,281
Employee Benefits	2,476,268	3,565,703	3,231,492	47,876	3,279,368	286,335
Veteran's Service Office	21,520	47,751	31,328	-	31,328	16,423
Purchasing Department	133,730	140,651	94,300	-	94,300	46,351
Total general government	3,611,000	4,785,040	3,978,960	47,876	4,026,836	758,204
Judicial:						
Office of the District Clerk	229,802	242,721	202,061	-	202,061	40,660
County Court at Law	204,289	216,168	206,165	-	206,165	10,003
District Court	112,497	117,234	105,941	-	105,941	11,293
Office of the District Attorney	132,736	139,539	139,799	-	139,799	(260)
Office of the County Attorney	173,939	185,341	187,199	-	187,199	(1,858)
Justice of the Peace #1	85,062	91,270	90,015	-	90,015	1,255
Justice of the Peace #2	79,657	85,427	83,183	-	83,183	2,244
Justice of the Peace #3	111,404	117,767	100,837	-	100,837	16,930
Justice of the Peace #4	73,162	78,687	76,129	-	76,129	2,558
Court costs	158,870	164,370	152,814	-	152,814	11,556
Jury fund	72,022	75,848	56,893	-	56,893	18,955
Total judicial	1,433,440	1,514,372	1,401,036	-	1,401,036	113,336
Financial administration:						
Office of the County Auditor	352,764	337,301	308,390	-	308,390	28,911
Office of the Tax Assessor Collector	328,013	328,264	306,374	-	306,374	21,890
Office of County Treasurer	194,396	205,361	163,399	-	163,399	41,962
Total financial administration	875,173	870,926	778,163	-	778,163	92,763
Corrections:						
Adult probabtion	4,550	4,550	3,669	-	3,669	881
Total corrections	4,550	4,550	3,669	-	3,669	881
Law enforcement:						
Constable Precinct #2	5,043	6,551	5,824	-	5,824	727
Constable Precinct #3	11,185	12,708	6,962	-	6,962	5,746
Constable Precinct #4	5,043	6,559	5,831	-	5,831	728
Public Safety Department	2,000	2,000	626	-	626	1,374
Office of the Sheriff	3,211,730	3,592,543	3,099,934	-	3,099,934	492,609
Office of the Sheriff's Task Force	316,487	333,590	260,336	-	260,336	73,254
Total law enforcement	3,551,488	3,953,951	3,379,513	-	3,379,513	574,438
Health and welfare:						
Health service	7,400	7,400	2,996	-	2,996	4,404
Indigent care	15,000	15,000	3,191	-	3,191	11,809
Emergency management	95,709	139,655	118,502	-	118,502	21,153
Autopsy	80,000	140,000	126,620	-	126,620	13,380
Total health and welfare	198,109	302,055	251,309	-	251,309	50,746

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

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund – Continued For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Variance - Positive (Negative)
EXPENDITURES (Continued)						
Fire protection:						
Fire contracts	363,000	363,000	212,375	-	212,375	150,625
Total fire protection	363,000	363,000	212,375	-	212,375	150,625
Culture and recreation:						
Golf course	1,678,011	2,079,613	817,100	-	817,100	1,262,513
Senior citizens	43,141	45,952	33,108	-	33,108	12,844
Ball parks	42,500	42,500	33,634	-	33,634	8,866
4-H barn	3,000	3,000	3,000	-	3,000	-
North Side park	2,500	12,500	10,866	-	10,866	1,634
Swimming pool	-	15,700	14,988	-	14,988	712
Cemetery	310,250	320,244	169,598	-	169,598	150,646
Recreation and wellness program	179,499	168,033	111,029	-	111,029	57,004
Total culture and recreation	2,258,901	2,687,542	1,193,323	-	1,193,323	1,494,219
County library	202,809	227,765	193,029	-	193,029	34,736
Maintenance:						
Building and grounds	711,717	2,008,142	629,117	-	629,117	1,379,025
Other maintenance	657,678	985,136	896,101	-	896,101	89,035
Total maintenance	1,369,395	2,993,278	1,525,218	-	1,525,218	1,468,060
Conservation:						
County extension agents	51,446	5,446	1,734	-	1,734	3,712
Total conservation	51,446	5,446	1,734	-	1,734	3,712
Public service:						
Miscellaneous	405,300	436,800	418,953	-	418,953	17,847
Total public service	405,300	436,800	418,953	-	418,953	17,847
Capital outlay	795,500	871,500	5,613,118	-	5,613,118	(4,741,618)
Debt Service:						
Principal	435,000	435,000	573,806	-	573,806	(138,806)
Interest	69,657	69,357	86,556	-	86,556	(17,199)
Total debt service	504,657	504,357	660,362	-	660,362	(156,005)
Other:						
County Commissioners Administrative Asst	1,200	25,700	-	-	-	25,700
Total other	1,200	25,700	-	-	-	25,700
Total expenditures	15,625,968	19,546,282	19,610,762	47,876	19,658,638	(112,356)
Excess (deficiency) of revenues over (under) expenditures	1,055,577	(2,569,405)	6,341,329	1,639,666	7,980,995	10,550,400
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	12,389	-	12,389	12,389
Transfers out	(867,954)	(1,548,954)	(3,577,000)	-	(3,577,000)	(2,028,046)
Proceeds from capital lease	-	-	785,672	1	785,673	785,673
Total other financing sources (uses)	(867,954)	(1,548,954)	(2,778,939)	1	(2,778,938)	(1,229,984)
Net change in fund balance	187,623	(4,118,359)	3,562,390	1,639,667	5,202,057	9,320,416
Fund balance, beginning of year	20,550,528	20,550,528	20,550,528	-	20,550,528	-
FUND BALANCE, END OF YEAR	\$ 20,738,151	\$ 16,432,169	\$ 24,112,918	\$ 1,639,667	\$ 25,752,585	\$ 9,320,416

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

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Road and Bridge Special Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance - Positive (Negative)
REVENUES						
Taxes	\$ 8,315,681	\$ 8,315,681	\$ 8,257,559	\$ -	\$ 8,257,559	\$ (58,122)
Fines and forfeitures	955,000	955,000	1,219,619	-	1,219,619	264,619
Intergovernmental	-	-	5,913	-	5,913	5,913
Charges for services	30,000	30,000	26,350	-	26,350	(3,650)
Interest	4,500	4,500	78,382	-	78,382	73,882
Other	-	-	254,909	-	254,909	254,909
Total revenues	9,305,181	9,305,181	9,842,732	-	9,842,732	537,551
EXPENDITURES						
General government	948	379,948	317,230	-	317,230	62,718
Highways and streets:						
Salaries and benefits	2,075,772	2,070,772	2,224,017	-	2,224,017	(153,245)
Travel	5,000	15,000	13,423	-	13,423	1,577
Supplies	330,000	466,500	269,115	-	269,115	197,385
Contractual services	1,200	1,200	1,200	-	1,200	-
Equipment	1,150,000	1,642,500	(45,927)	-	(45,927)	1,688,427
Utilities	34,000	44,000	39,701	-	39,701	4,299
Insurance	379,787	479,787	396,647	15,527	412,174	67,613
Repairs and maintenance	574,500	744,000	368,396	-	368,396	375,604
Other	3,088,500	3,747,358	3,679,705	-	3,679,705	67,653
Capital outlay	-	-	2,783,055	-	2,783,055	(2,783,055)
Debt service:						
Principal	-	-	997,653	-	997,653	(997,653)
Interest	-	-	85,854	-	85,854	(85,854)
Total expenditures	7,639,707	9,591,065	11,130,069	15,527	11,145,596	(1,554,531)
Excess (deficiency) of revenues over (under) expenditures	1,665,474	(285,884)	(1,287,337)	(15,527)	(1,302,864)	(1,016,980)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	-	-	734,407	-	734,407	734,407
Total other financing sources (uses)	-	-	734,407	-	734,407	734,407
Net change in fund balance	1,665,474	(285,884)	(552,930)	(15,527)	(568,457)	(282,573)
Fund balance, beginning of year	4,824,136	4,824,136	4,824,136	-	4,824,136	-
FUND BALANCE, END OF YEAR	\$ 6,489,610	\$ 4,538,252	\$ 4,271,206	\$ (15,527)	\$ 4,255,679	\$ (282,573)

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

Reeves County, Texas

Notes to the Required Supplementary Information

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

- a. Public hearings are required for any percentage tax increase for maintenance and operations purposes. Tax increases for Debt Service do not require a public hearing.
- b. Public hearings are conducted at Reeves County Courthouse to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- d. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- e. Budgets for the various funds are adopted on a cash basis and are compared to cash basis balances in the schedules.
- f. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- g. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2018.
- h. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and Road and Bridge Special Fund present a comparison of budgetary data to actual results.

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Supplemental Information

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

	<u>Greenwood Cemetery</u>	<u>Asbestos Fund</u>	<u>Major Jury</u>	<u>Court Records Management</u>
ASSETS				
Cash and cash equivalents	\$ 4,450	\$ 1,843	\$ 65	\$ 183,131
Investments	9,472	4,710	122,657	156,238
Interfund receivables	-	-	-	863
Due from other governments	-	-	-	103,062
Receivables (net):				
Other	-	-	-	-
	<u>13,922</u>	<u>6,553</u>	<u>122,722</u>	<u>443,294</u>
TOTAL ASSETS	<u>\$ 13,922</u>	<u>\$ 6,553</u>	<u>\$ 122,722</u>	<u>\$ 443,294</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	1,499
Unearned revenue	-	-	-	103,062
	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,561</u>
Total liabilities	-	-	-	104,561
FUND BALANCES				
Restricted:				
Legislation	-	-	-	338,733
Federal and state grants	-	-	-	-
Donations	13,922	6,553	122,722	-
	<u>13,922</u>	<u>6,553</u>	<u>122,722</u>	<u>338,733</u>
Total fund balances	13,922	6,553	122,722	338,733
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,922</u>	<u>\$ 6,553</u>	<u>\$ 122,722</u>	<u>\$ 443,294</u>

<u>District Court Records</u>	<u>Courthouse Security</u>	<u>Court Reporter Service</u>	<u>Lateral Roads</u>	<u>Vehicle Fund</u>	<u>Child Abuse Prevention</u>
\$ 51,682	\$ 34,686	\$ 875	\$ 28,709	\$ 23,409	\$ 764
-	167,514	78,630	1,244	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>51,682</u>	<u>202,200</u>	<u>79,505</u>	<u>29,953</u>	<u>23,409</u>	<u>764</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
51,682	202,200	79,505	-	-	764
-	-	-	29,953	23,409	-
-	-	-	-	-	-
<u>51,682</u>	<u>202,200</u>	<u>79,505</u>	<u>29,953</u>	<u>23,409</u>	<u>764</u>
<u>\$ 51,682</u>	<u>\$ 202,200</u>	<u>\$ 79,505</u>	<u>\$ 29,953</u>	<u>\$ 23,409</u>	<u>\$ 764</u>

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

	<u>Justice Court Technology</u>	<u>Madera Valley Water</u>	<u>Juvenile Probation</u>	<u>Drug Task Force</u>
ASSETS				
Cash and cash equivalents	\$ 15,527	\$ 1,049	\$ 44,870	\$ 968
Investments	23,298	-	52,895	-
Interfund receivables	-	-	431	-
Due from other governments	-	-	-	-
Receivables (net):				
Other	-	19,000	-	-
TOTAL ASSETS	<u>\$ 38,825</u>	<u>\$ 20,049</u>	<u>\$ 98,196</u>	<u>\$ 968</u>
LIABILITIES				
Accounts payable	\$ -	\$ 66,376	\$ -	\$ -
Accrued payroll	-	-	2,984	-
Unearned revenue	-	-	-	-
Total liabilities	-	66,376	2,984	-
FUND BALANCES				
Restricted:				
Legislation	38,825	-	95,212	968
Federal and state grants	-	(46,327)	-	-
Donations	-	-	-	-
Total fund balances	<u>38,825</u>	<u>(46,327)</u>	<u>95,212</u>	<u>968</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,825</u>	<u>\$ 20,049</u>	<u>\$ 98,196</u>	<u>\$ 968</u>

<u>State Aid</u>	<u>Forfeiture Fund</u>	<u>Community Corrections Program</u>	<u>Law Enforcement Program</u>	<u>Foster Care Program</u>	<u>Housing Rehabilitation</u>
69,038	\$ 39,680	\$ -	\$ 24,220	\$ 767	\$ -
-	656	-	-	158,873	-
431	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 69,469</u>	<u>\$ 40,336</u>	<u>\$ -</u>	<u>\$ 24,220</u>	<u>\$ 159,640</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
337	-	-	-	-	-
-	-	-	-	-	-
<u>337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	40,336	-	24,220	-	-
69,132	-	-	-	159,640	-
-	-	-	-	-	-
<u>69,132</u>	<u>40,336</u>	<u>-</u>	<u>24,220</u>	<u>159,640</u>	<u>-</u>
<u>\$ 69,469</u>	<u>\$ 40,336</u>	<u>\$ -</u>	<u>\$ 24,220</u>	<u>\$ 159,640</u>	<u>\$ -</u>

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

	<u>911 Planning</u>	<u>Pecos Senior Center Title III B</u>	<u>Border Star Grant</u>	<u>Gates Library Grant</u>
ASSETS				
Cash and cash equivalents	\$ 20,247	\$ -	\$ -	\$ -
Investments	-	-	-	-
Interfund receivables	-	-	-	-
Due from other governments	-	-	-	-
Receivables (net):				
Other	-	-	-	-
	<u>20,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 20,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ 998	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	998	-	-
FUND BALANCES				
Restricted:				
Legislation	20,247	-	-	-
Federal and state grants	-	-	-	-
Donations	-	(998)	-	-
	<u>20,247</u>	<u>(998)</u>	<u>-</u>	<u>-</u>
Total fund balances	20,247	(998)	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Repayment Grant</u>	<u>Graffiti Fund</u>	<u>District Clerk Justice/Tech</u>	<u>Venue Project</u>	<u>Meals on Wheels</u>	<u>Inmate Transportation</u>	<u>Total</u>
\$ -	\$ -	\$ 11,526	\$ 1,077,890	\$ 17,309	\$ 21,206	\$ 1,673,911
-	-	-	250,430	-	-	1,026,617
-	-	-	-	431	2,588	4,744
-	-	-	-	-	-	103,062
-	-	-	147,386	-	-	166,386
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,526</u>	<u>\$ 1,475,706</u>	<u>\$ 17,740</u>	<u>\$ 23,794</u>	<u>\$ 2,974,720</u>
\$ -	\$ -	\$ -	\$ 27,523	\$ -	\$ -	\$ 94,897
-	-	-	-	1,402	-	6,222
-	-	-	-	-	-	103,062
-	-	-	27,523	1,402	-	204,181
-	-	11,526	-	-	23,794	928,012
-	-	-	-	-	-	235,807
-	-	-	1,448,183	16,338	-	1,606,720
-	-	11,526	1,448,183	16,338	23,794	2,770,539
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,526</u>	<u>\$ 1,475,706</u>	<u>\$ 17,740</u>	<u>\$ 23,794</u>	<u>\$ 2,974,720</u>

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

	<u>Greenwood Cemetery</u>	<u>Asbestos Fund</u>	<u>Major Jury</u>	<u>Court Records Management</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	168,804
Interest	706	157	2,322	6,062
Other	-	-	-	166,511
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	706	157	2,322	341,377
EXPENDITURES				
Current:				
General government	-	8,788	-	-
Judicial	-	-	-	374,508
Corrections	-	-	-	-
Law enforcement	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Public service	25,598	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	25,598	8,788	-	374,508
Excess (deficiency) of revenues over (under) expenditures	(24,892)	(8,631)	2,322	(33,131)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(24,892)	(8,631)	2,322	(33,131)
Fund balances, beginning of year	38,814	15,184	120,400	371,864
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 13,922</u>	<u>\$ 6,553</u>	<u>\$ 122,722</u>	<u>\$ 338,733</u>

<u>District Court Records</u>	<u>Courthouse Security</u>	<u>Court Reporter Service</u>	<u>Lateral Roads</u>	<u>Vehicle Fund</u>	<u>Child Abuse Prevention</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	27,353	-	-
13,692	19,259	1,185	-	-	9
582	3,617	1,642	397	299	10
-	-	-	-	-	-
14,274	22,876	2,827	27,750	299	19
-	-	-	-	-	-
-	13,837	-	-	-	-
-	-	9,573	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	13,837	9,573	28,000	-	-
14,274	9,039	(6,746)	(250)	299	19
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,274	9,039	(6,746)	(250)	299	19
37,408	193,161	86,251	30,203	23,110	745
<u>\$ 51,682</u>	<u>\$ 202,200</u>	<u>\$ 79,505</u>	<u>\$ 29,953</u>	<u>\$ 23,409</u>	<u>\$ 764</u>

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

	<u>Justice Court Technology</u>	<u>Madera Valley Water</u>	<u>Juvenile Probation</u>	<u>Drug Task Force</u>
REVENUES				
Fines and forfeitures	\$ 17,773	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	533	-	3,403	64
Other	-	277,409	1,883	-
	<u>18,306</u>	<u>277,409</u>	<u>5,286</u>	<u>64</u>
Total revenues	18,306	277,409	5,286	64
EXPENDITURES				
Current:				
General government	-	346,785	-	-
Judicial	3,594	-	-	-
Corrections	-	-	235,291	-
Law enforcement	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	32,056	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>3,594</u>	<u>346,785</u>	<u>267,347</u>	<u>-</u>
Total expenditures	3,594	346,785	267,347	-
Excess (deficiency) of revenues over (under) expenditures	14,712	(69,376)	(262,061)	64
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,000	102,721	-
Transfers out	-	-	-	(4,126)
	<u>-</u>	<u>2,000</u>	<u>102,721</u>	<u>(4,126)</u>
Total other financing sources (uses)	-	2,000	102,721	(4,126)
Net change in fund balance	14,712	(67,376)	(159,340)	(4,062)
Fund balances, beginning of year	24,113	21,049	254,552	5,030
FUND BALANCES, END OF YEAR	<u>\$ 38,825</u>	<u>\$ (46,327)</u>	<u>\$ 95,212</u>	<u>\$ 968</u>

<u>State Aid</u>	<u>Forfeiture Fund</u>	<u>Community Corrections Program</u>	<u>Law Enforcement Program</u>	<u>Foster Care Program</u>	<u>Housing Rehabilitation</u>
\$ -	\$ 8,323	\$ -	\$ -	\$ -	\$ -
165,134	-	-	-	-	-
-	-	-	-	-	-
790	1,114	29	333	3,026	153
-	40,000	-	4,562	-	-
<u>165,924</u>	<u>49,437</u>	<u>29</u>	<u>4,895</u>	<u>3,026</u>	<u>153</u>
-	-	-	-	-	-
84,880	-	-	-	-	-
95,910	-	-	-	13	-
-	42,725	-	3,464	-	-
-	-	-	-	-	-
1,042	-	-	-	-	-
-	-	-	-	-	-
-	97,416	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>181,832</u>	<u>140,141</u>	<u>-</u>	<u>3,464</u>	<u>13</u>	<u>-</u>
(15,908)	(90,704)	29	1,431	3,013	153
49,454	22,134	-	-	-	-
<u>(49,454)</u>	<u>-</u>	<u>(2,311)</u>	<u>-</u>	<u>-</u>	<u>(12,003)</u>
-	22,134	(2,311)	-	-	(12,003)
(15,908)	(68,570)	(2,282)	1,431	3,013	(11,850)
<u>85,040</u>	<u>108,906</u>	<u>2,282</u>	<u>22,789</u>	<u>156,627</u>	<u>11,850</u>
<u>\$ 69,132</u>	<u>\$ 40,336</u>	<u>\$ -</u>	<u>\$ 24,220</u>	<u>\$ 159,640</u>	<u>\$ -</u>

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

	<u>911 Planning</u>	<u>Pecos Senior Center Title III B</u>	<u>Border Star Grant</u>	<u>Gates Library Grant</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,005	-	-	-
Charges for services	-	-	-	-
Interest	279	-	283	4
Other	-	-	-	-
	<u>8,284</u>	<u>-</u>	<u>283</u>	<u>4</u>
Total revenues	8,284	-	283	4
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Corrections	-	-	-	-
Law enforcement	-	-	6,974	-
Health and welfare	6,222	-	-	-
Culture and recreation	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>6,222</u>	<u>-</u>	<u>6,974</u>	<u>-</u>
Total expenditures	6,222	-	6,974	-
Excess (deficiency) of revenues over (under) expenditures	2,062	-	(6,691)	4
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(18,008)	(345)
	<u>-</u>	<u>-</u>	<u>(18,008)</u>	<u>(345)</u>
Total other financing sources (uses)	-	-	(18,008)	(345)
Net change in fund balance	2,062	-	(24,699)	(341)
Fund balances, beginning of year	<u>18,185</u>	<u>(998)</u>	<u>24,699</u>	<u>341</u>
FUND BALANCES, END OF YEAR	<u>\$ 20,247</u>	<u>\$ (998)</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Repayment Grant</u>	<u>Graffiti Fund</u>	<u>District Clerk Justice/Tech</u>	<u>Venue Project</u>	<u>Meals on Wheels</u>	<u>Inmate Transportation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,096
-	-	-	-	-	-	200,492
-	-	939	1,307,338	-	13,541	1,524,767
1	5	142	16,676	212	1,453	44,294
-	-	-	42,575	89,909	-	622,849
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1	5	1,081	1,366,589	90,121	14,994	2,418,498
-	-	-	109,047	-	-	464,620
-	-	-	-	-	-	476,819
-	-	-	-	(4,131)	-	336,656
-	-	-	-	-	322,757	375,920
-	-	-	-	-	-	6,222
-	-	-	-	-	-	1,042
-	-	-	44,931	136,969	-	207,498
-	-	-	784,708	-	132,798	1,074,978
-	-	-	120,000	-	-	120,000
-	-	-	121,766	-	-	121,766
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	1,180,452	132,838	455,555	3,185,521
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1	5	1,081	186,137	(42,717)	(440,561)	(767,023)
-	-	-	900,000	50,000	425,000	1,551,309
(41)	(410)	-	(900,000)	-	-	(986,698)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(41)	(410)	-	-	50,000	425,000	564,611
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(40)	(405)	1,081	186,137	7,283	(15,561)	(202,412)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
40	405	10,445	1,262,046	9,055	39,355	2,972,951
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 11,526	\$ 1,448,183	\$ 16,338	\$ 23,794	\$ 2,770,539

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

	Ad Valorem Tax Fund	Vehicle Inventory Tax Fund	Vehicle Sales Tax Fund	Tax Assessor's Fund
ASSETS				
Cash and cash equivalents	\$ 10,826,340	\$ 43,114	\$ 143,976	\$ 65,494
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 10,826,340</u>	<u>\$ 43,114</u>	<u>\$ 143,976</u>	<u>\$ 65,494</u>
LIABILITIES				
Due to other governments	\$ 9,138,367	\$ 43,114	\$ 143,976	\$ 65,494
Due to primary government	1,687,973	-	-	-
Due to beneficiaries	-	-	-	-
TOTAL LIABILITIES	<u>\$ 10,826,340</u>	<u>\$ 43,114</u>	<u>\$ 143,976</u>	<u>\$ 65,494</u>

Sheriff's Office Inmate Trust Fund	BOP Inmate Trust Fund	District Clerk's Court Fund	County Clerk Cash Bond Fund
\$ 32,572	\$ 194,611	\$ 3,787,827	\$ 168,803
-	-	27,245,933	-
<u>\$ 32,572</u>	<u>\$ 194,611</u>	<u>\$ 31,033,760</u>	<u>\$ 168,803</u>
\$ -	\$ 194,611	\$ -	\$ 168,803
-	-	-	-
32,572	-	31,033,760	-
<u>\$ 32,572</u>	<u>\$ 194,611</u>	<u>\$ 31,033,760</u>	<u>\$ 168,803</u>

Reeves County, Texas

Agency Funds

Combining Statement of Assets and Liabilities – Continued

December 31, 2018

	<u>Seizure Account</u>	<u>County Attorney Hot Check Fund</u>	<u>RCDC Trust Account</u>	<u>Business Escrow</u>
ASSETS				
Cash and cash equivalents	\$ 680,450	\$ 1,761	\$ 253,269	\$ 177,174
Investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 680,450</u>	<u>\$ 1,761</u>	<u>\$ 253,269</u>	<u>\$ 177,174</u>
LIABILITIES				
Due to other governments	\$ 680,450	\$ 1,761	-	-
	-	-	-	-
Due to beneficiaries	-	-	253,269	177,174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 680,450</u>	<u>\$ 1,761</u>	<u>\$ 253,269</u>	<u>\$ 177,174</u>

<u>Treasurer's Court Fund</u>	<u>Treasurer's Special Fund</u>	<u>RC Seizure Fund</u>	<u>Other Agency Funds</u>	<u>Total</u>
\$ 113,400	\$ 287,304	\$ 3,030	\$ 2,109,878	\$ 18,889,003
-	-	-	-	27,245,933
<u>\$ 113,400</u>	<u>\$ 287,304</u>	<u>\$ 3,030</u>	<u>\$ 2,109,878</u>	<u>\$ 46,134,936</u>
\$ 113,400	\$ 287,304	\$ 3,030	\$ -	\$ 10,840,310
-	-	-	-	1,687,973
-	-	-	2,109,878	33,606,653
<u>\$ 113,400</u>	<u>\$ 287,304</u>	<u>\$ 3,030</u>	<u>\$ 2,109,878</u>	<u>\$ 46,134,936</u>

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Internal Control and Compliance

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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Governmental Auditing Standards***

To Honorable County Judge and
Commissioners Court of Reeves County
Reeves County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Reeves County, Texas (the County), as of and for the year ended December 31, 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 November 22, 2019.

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

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, (items 2018-001, 2018-002, 2018-003, and 2018-004).

To Honorable County Judge and
Commissioners Court of Reeves County

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as (Item 2018-005 and 2018-006).

Reeves County, Texas' Response to Findings

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
November 22, 2019

Reeves County, Texas

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

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

Material Weaknesses in Internal Control over Financial Reporting

Finding – 2018-001

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

Condition: The County maintains their accounting records primarily on a cash basis. The County contracted with a consulting team to assist with the cash to accrual conversion project which focused on cash to GAAP adjustments, capital asset subledger reconciliation, transfer accounts, bond rollforward and fund balance. Based on information provided, the consulting team proposed 52 adjustments to these areas prior to the start of the year-end audit. The audit team proposed an additional 8 entries to transfers, cash, revenue, deferred, as well as, 1 prior period adjustment related to deferred outflows and pension expense. The audit team prepared the year-end financial statements including the fund to government wide conversion.

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

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

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

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

Finding – 2018-002

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

Condition: The County relied heavily on the County Auditor with little segregation of duties or design of proper controls, including those controls related to receipts, deposits, revenue warrant registration, wire transfers, and bank reconciliations. The County Auditor was replaced with an Interim County Auditor in 2018.

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

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

Reeves County, Texas

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

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

Views of Responsible Officials: The Treasurer's office currently handles day to day bank deposits, receipting, revenue warrants, bank transfers, and bank wires. As of November 2019, the Treasurer's office is completing some of the Bank Reconciliations. We expect full transition of bank reconciliation to occur in late 2020.

Finding – 2018-003

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

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

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

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

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

Views of Responsible Officials: The County auditor is working to correct this issue in 2019.

Finding – 2018-004

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

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

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

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

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

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

Reeves County, Texas

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

Compliance

Finding – 2018-005

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

Condition: The County's total bank balance was under pledged by \$21,936,147.

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

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

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

Views of Responsible Officials: The County auditor is working to correct this issue in 2019.

Finding – 2018-006

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

Condition: The County did not prepare the quarterly investment reports for 2018 and the Court did not perform the annual policy review.

Cause: Lack of personnel and the vacancy of the County auditor appear to have caused this oversight.

Effect: The County is not in compliance with state statutes relating to PFIA, which could result in inappropriate investments.

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

Views of Responsible Officials: The County revised its investment policy in 2019. The County also began preparing quarterly investments reports, in compliance with PFIA, beginning the second quarter of 2019.

Reeves County, Texas

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

Section 2. Schedule of Prior Audit Findings and Responses

Material Weaknesses in Internal Control over Financial Reporting

Finding – 2017-001

Condition: The County maintains their books and records primarily on a cash basis. The County contracted with a consulting team to assist with the cash to accrual conversion project which focused on cash to GAAP adjustments, capital asset subledger reconciliation, transfer accounts, bond rollforward and fund balance. Based on information provided the consulting team proposed 49 adjustments to these areas prior to the start of the year end audit. The audit team proposed an additional 15 entries to accounts payable, due to/from other funds, deferred revenue, pension, accrued claims, and expenditures. The audit team prepared the year-end financial statements including the fund to government wide conversion.

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

Corrective Action Taken: This finding has been materially handled by outsourcing the cash basis to modified accrual basis to the consultants.

Finding – 2017-002

Condition: The County relied heavily on the County Auditor with little segregation of duties or design of proper controls, including those controls related to receipts, deposits, revenue warrant registration, wire transfers and bank reconciliations. The County Auditor was replaced with an Interim County Auditor in 2018.

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

Correction Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2018. See current year 2018-002.

Finding – 2017-003

Condition: Although capital asset subledgers and detail depreciation schedules were created in 2008, they were not completely maintained and agreed to the general ledger on a regular basis by the County. Although the County outsourced fixed asset work to the consultants after year end, it lacked controls in place during the year. This condition resulted in a prior period adjustment.

Recommendation: Detailed fixed asset listings and detailed depreciation schedules should be updated, maintained and agreed to the general ledger by the County in order to properly record fixed assets in the financial statements.

Corrective Action Taken: This has been materially handled by outsourcing the fixed asset work to the consultants.

Reeves County, Texas

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

Finding – 2017-004

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

Recommendation: The County should engage actuaries to estimate other post-employment benefits and record estimated liabilities and expenses in accordance with GASB 45.

Corrective Action Taken: This continues to be an issue in 2018, see 2018-003.

Significant Deficiency in Internal Control over Financial Reporting

Finding – 2017-005

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

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

Corrective Action Taken: This finding continues to be an issue in 2018, see 2018-004.

Compliance

Finding – 2017-006

Condition: The County has outstanding checks older than three years on its list of outstanding checks.

Recommendation: The County's personnel who perform the bank reconciliations should review and research outstanding checks older than three years. All outstanding checks older than three years that are still owed to someone should be forwarded to the State.

Corrective Action Taken: This has been materially handled in 2018 by the County Auditor.

Finding – 2017-007

Condition: The County's total bank balance was under pledged by \$14,762,516.

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

Corrective Action Taken: This finding continues to be an issue in 2018, see 2018-005.

Reeves County, Texas

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

Finding – 2017-008

Condition: The County did not prepare the 1st, 2nd, or 3rd quarter investment report and the Court did not perform the annual policy review.

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

Corrective Action Taken: This continues to be an issue in 2018, see 2018-006.