

HUDSPETH COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

September 30, 2019

KNAPP & COMPANY, P.C.
(CERTIFIED PUBLIC ACCOUNTANTS)

HUDSPETH COUNTY, TEXAS
Annual Financial Report
September 30, 2019

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MANAGEMENT DISCUSSION AND ANALYSIS



THE OFFICE OF THE COUNTY JUDGE
Thomas Neely

February 6, 2020

To the Citizens and residents of
Hudspeth County, Texas:

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the County's financial statements, which begins on page 3.

FINANCIAL HIGHLIGHTS

The County's net assets increased \$2,100,119 as compared to prior year increase of \$1,665,678. The increase in revenues over expenses is attributed a \$918,980 refund from the state for corrections to prior years overpayments of state fees; also, correction and rehabilitation revenues and service fees increased about \$390,000. The County's operated jail revenues increased \$184,725 and but related expenditures increased by \$349,512, primarily due to increases in employee salaries and benefits. Emerald Correction Management LLC operating agreement revenues increased \$233,968. Tax revenues collected were up by \$97,154. Changes in net assets also included the effect of depreciation expense of \$665,288 which does not affect the County's cash position.

The County entered into two lease purchase agreements to purchase a dump truck and a CAT motor grader in the amounts of \$129,447 and \$296,703 to finance the purchase of a motor grader. The County continued to pay down all long term lease obligations in accordance with the terms of the leases. Payments reduced lease obligations by \$147,723 in 2018/2019.

During the year, the County's general fund and total governmental fund revenues exceeded expenditures after transfers by \$2,286,521 and \$2,406,883, respectively as compared to \$1,686,807 and \$1,915,842 in prior year. County continues its cost control efforts. Pay increases were proposed on a case by case basis.

In the current year, jail revenues received for housing state prisoners (as reported in the supplementary information of the annual report) totaled \$1,399,804 in 2018/2019, as compared to \$1,215,079 in 2017/2018. Jail operations resulted in net operating loss before transfers of \$(542,236) as compared with the prior year loss of \$(377,449) in 2017/2018. The net loss

represents the effective of covering of increases in personnel costs as well as absorbing the costs associated with housing of local prisoners.

The combined general funds reported fund balances of \$11,113,659 at yearend as compared to \$8,706,776 at the beginning of the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 5 and 6) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. The County is in the process of, but has not developed, procedures to enable the recording of depreciation on capital assets, which represents a departure from governmental accounting standards and the omission of reporting a provision for depreciation and accumulated depreciation on capital assets. This could be relevant to assessing the financial well being of the County. Also, most governmental entities now use the accrual method of accounting in government wide financial statements, which is similar to the accounting used by most private-sector companies. The County's current policy is to report using the modified cash basis, also referred to as the cash basis of accounting, where revenues are recognized when received and expenses when paid. Therefore, tax receivables and accounts payables are not reported in the County financial statements. Such information is disclosed to the extent the information is deemed relevant to the financial statements.

The government wide financial statements report the County's net assets and changes. You can think of the County's net assets, (the difference between assets and liabilities), as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the County's property tax base and the condition of the County's roads and bridges and facilities, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

Governmental activities - Most of the County's basic services are reported here, to include the law enforcement, fire, public works, parks departments, and general administration. Property taxes, licenses and fees, and state and federal grants finance most of these activities. Also the County operates a detention and rehabilitation facility (jail) and charges outside governmental entities for these services. These fees are supposed to cover or help cover the cost of certain services the jail provides. The County jail operations are also reported here since the net revenues are unrestricted.

Business-type activities - The County currently does not report business type activities.

Component units - The County currently has no component units.

Reporting the County's Most Significant Funds

The fund financial statements begin on page 7 and provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by State and Federal law and by debt covenants. However, the Commissioner's Court establishes many other funds to help us control and manage money for particular purposes. Examples are the Road & Bridge account, the Solid Waste account and the Jail account. Some, like the Street Improvement, Homeland Security, and Linebacker, show that we are meeting legal responsibilities for using certain grants. Another example of such accounts is the Indigent Health Program. Governmental entities primarily use two kinds of funds, governmental and proprietary, which use different accounting approaches.

Governmental funds-Most of the County's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds- The County currently does not report any proprietary fund types.

The County reports its fund balance classifications as prescribed by GASB 54. Fund balances are classified as non-spendable, restricted, committed, assigned and unassigned based on the circumstances that apply. In accordance with County policy:

- Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

THE COUNTY AS TRUSTEE

The County is responsible for assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets is on page 9. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Examples are the County's agency accounts, registry trust funds and insurance trust funds.

THE COUNTY AS A WHOLE

The County's combined net assets increased by \$2,100,119 for the year ended September 30, 2019.

Revenues

The County's total revenues increased by 5.09% percent \$1,868,884 which is attributed to increases in correction and rehabilitation related revenues as well as property tax collections and state refund of overpayment of prior year state fees. The County has continued efforts to manage general fund expenses. Efforts to manage salaries and the costs of fringe benefits become harder because of industry benefit costs have continued to rise. The County has also been challenged to meet the public demands for public safety in the changing environment we live in as a border county.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 7) reported a combined fund balance of \$11,113,659 as compared to \$8,706,776 as of September 30, 2018.

General Fund Budgetary Highlights

Over the course of the year, the Commissioners' Court typically makes amendments to the County budget for changes in circumstances and needs of the County. During the year the County had no individually significant budget amendments. Some of the more significant budget to actual variances included: West Texas Detention fee revenues exceeded budget \$803,999. State reimbursements exceeded revenues by \$918,98 for the reimbursement of prior year overpayment of state fines and fees. JP fees and finds revenues exceeded budget by \$203,386. Fund 20 equipment purchases exceeded budget by \$(79,447) since bank funded equipment purchases were not budgeted for. Inmate revenues were over budget by \$310,104 which is attributed to conservative estimates of jail occupancy. Jail overtime allowance was over budget by \$(99,387) as well as inmate medical care budget by \$(157,611) due to unexpected inmate occupancy levels. Refer to the budget to actual supplemental schedule presented on pages 29-43.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the County had approximately \$16 million invested in capital assets of which \$5.9 million is the County courthouse and jail facility. The county started capitalizing infrastructure assets in 2004. Depreciation and fixed assets are only reported in the government wide financial statement presentation on pages 5 and 6. This does not affect the fund basis financial statement presentation on pages 7 and 8 in accordance with the currently generally accepted reporting model for state and local governments since fixed assets are expended in the fund basis financial statements.

Some of the major capital asset additions in 2018/2019 included \$129,447 for a dump truck, and \$296,703 for a motor grader which were both financed with bank debt. The county also paid \$190,830 to purchase and equip 5 public safety vehicles.

Debt

At year-end, the County equipment lease obligations totaled \$513,992 versus total prior year debt of \$226,565. Principal payments of all leases totaled \$147,723, which were paid in accordance with the lease agreements or earlier. New lease obligations were added in the amounts of \$129,447 and \$296,703 to fund purchases of a dump truck and motor grader, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Budget

Every year the County Commissioner's Court considers many factors before adopting the budget and tax rate. For the year 2018/2019 we gave a \$2.50 an hour raise to courthouse office employees, a \$3.50 an hour raise to precinct and solid waste employees, and a \$5.00 an hour raise to all sheriff and jail employees. The tax rate was increased by 1 cent due to the raises for employees, health insurance rates and much needed equipment for the Precincts and the Landfill.

The County continues to pay \$52,000 per year to the District Attorney's Office. This continues to be a drain especially now that we are not receiving any Border Prosecution money as the Sheriff's Office is no longer accepting Federal Cases from the checkpoints.

The jail is doing better in terms of revenue from paying entities for holding their inmates. The current per diem rate is \$48.00 per day and more prisoners have been added. Communication with the jail officials continues to improve.

Economic Factors

The economic factors have been holding steady this past year. Sierra Blanca currently has three restaurants open, Delfina's Restaurant, La Familia Restaurant and the Food Corner. The Americana Motel is still up and running and so is The Sierra Blanca Lodge.

The Pecos County State Bank in Sierra Blanca remains in operation and doing well. West Texas Detention Facility operating in Sierra Blanca continues to be a big help to the county. The stipend they pay to the county is based on their numbers.

The U.S. Border Patrol within the county remains a strong financial supporter of our local eateries and gas stations. Many agents reside within El Paso County and commute to work.

Project Vida remains in operation within Fort Hancock, five days a week and Sierra Blanca once a week and Once a month in Dell City.

The Sierra Blanca Quarry continues operations.

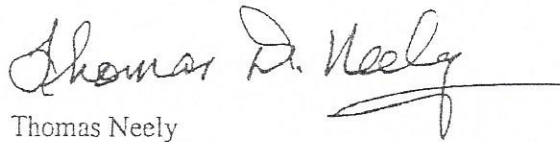
Arzate Grocery, Arzate #2, El Arroyo Grocery, Angies Restaurant, and Dan's Shell continues successful operations in Fort Hancock. Tucos Market, and Two Tees continue to operate in Dell City along with Dell Telephone, Rio Grande Electric, Perry Hardware, Chaffhaye Plant, Dell Valley Oil, Spanish Angels Restaurant and Rositas Café continue operation and a new Koko's Hair Saloon opened.

The Oil and gas exploration near Desert Haven has begun their operations.

The County has not received any updates from the D'Arcinoff Group on its progress.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office at P.O. Box 119, Sierra Blanca, Texas, 79851.

A handwritten signature in cursive script that reads "Thomas D. Neely". The signature is written in dark ink and includes a long, horizontal flourish at the end.

Thomas Neely
Hudspeth County Judge

HUDSPETH COUNTY, TEXAS
TABLE #1
GOVERNMENT WIDE
COMPARATIVE STATEMENT OF NET POSITION-
MODIFIED CASH BASIS
SEPTEMBER 30, 2019 AND 2018

	<u>PRIMARY GOVERNMENT</u>	
	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Cash and Cash Equivalents	\$ 6,789,823	\$ 4,059,433
Certificates of Deposit	4,963,767	4,912,042
Total Cash and Deposits	<u>11,753,590</u>	<u>8,971,475</u>
Capital Assets		
Land	18,000	18,000
Other Capital Assets	4,766,675	4,786,012
Total Capital Assets	<u>4,784,675</u>	<u>4,804,012</u>
Total Assets	<u>16,538,265</u>	<u>13,775,487</u>
<u>DEFERRED OUTFLOWS</u>	<u>-</u>	<u>-</u>
<u>LIABILITIES</u>		
Amounts Due Others	394,863 ✓	264,993
Payable to Unreported Component Unit	205,479	-
Long- Term Debt		
Due Within One Year	67,327	68,192
Due in More Than One Year	446,665	158,373
Total Liabilities	<u>1,114,334</u>	<u>491,558</u>
<u>DEFERRED INFLOWS</u>	<u>39,589</u>	<u>-</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,270,683	4,577,447
Restricted for:		
Restricted	1,011,264	1,376,553
Committed	1,073,757	1,129,717
Assigned	106,899	155,390
Unrestricted	<u>8,921,739</u>	<u>6,044,822</u>
TOTAL NET POSITION	<u>\$ 15,384,342</u>	<u>\$ 13,283,929</u>

HUDSPETH COUNTY, TEXAS
TABLE # 2
COMPARATIVE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

<u>Functions/Programs</u>	PRIMARY GOVERNMENT	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	2019	2018
Total Revenues	<u>11,385,726</u>	<u>9,516,842</u>
EXPENDITURES:		
Current:		
General Government	2,007,552	2,474,738
Justice System	656,407	1,408,900
Public Safety	2,224,926	-
Corrections and Rehabilitation	2,197,715	3,397,429
Health and Human Services	171,786	282,092
Community and Economic Development	412,610	9,900
Infrastructure and Environmental Services	<u>1,614,611</u>	<u>277,811</u>
Total Expenditures	<u>9,285,607</u>	<u>7,850,870</u>
Excess (Deficiency) of Revenues		
Over Expenditures Before Transfers	2,100,119	1,665,972
Transfers	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues		
Over Expenditures After Transfers	2,100,119	1,665,972
Net Position - Beginning	<u>13,284,223</u>	<u>11,618,251</u>
Net Position - Ending	<u>\$ 15,384,342</u>	<u>\$ 13,284,223</u>

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Independent Auditor's Report

To the Honorable Thomas Neely and
Members of the Commissioners Court of
Hudspeth County, Texas

We have audited the accompanying financial statements of Hudspeth County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Summary of Opinions:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Adverse
Hudspeth County Governmental Funds	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Adverse Opinion on the Discretely Presented Component Units

The financial statements referred to above do not include financial data for; West Texas Detention Facility Corporation or Hudspeth County Emergency Services Districts #1 and # 2, the County's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements for West Texas Detention Facility Corporation or Hudspeth County Emergency Services Districts #1 and # 2 and has not determined the effect to the financial statements of the departure from accounting principles generally accepted in the United States of America and/or the modified cash basis of accounting.

Basis for Qualified Opinion on the General Fund and Governmental Activities

The County did not effectively reconcile pooled cash accounts subsequent to December 2018. As a result, it is estimated that reported cash was understated by approximately \$332,000. The unresolved cumulative suspense item represents a departure from modified cash basis of accounting which requires transactions be recorded in the period when received or paid. The financial statement effect to revenues and/or liabilities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Hudspeth County, Texas, as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting and/or accounting principles generally accepted in the United States of America and/or the modified cash basis of accounting.

Qualified Opinion on the Primary Government Financial statements

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Governmental Activities" financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **primary government** of Hudspeth County, Texas as of September 30, 2019, and the respective changes in modified cash basis financial position for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 on pages i through ix, and the budgetary comparison information on pages 29 through 43 and Employee Retirement Plan Supplementary Information on pages 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hudspeth County, Texas' basic financial statements. The combining fund financial statements, Texas Department of Agriculture Community Development Block Grant Schedules, and schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, Texas Department of Agriculture Community Development Block Grant Schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund and Governmental Activities" financial statements referred to above the combining fund financial statements, Texas Department of Agriculture Community Development Block Grant Schedules, and schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic modified cash basis 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 February 6, 2020, on our consideration of the Hudspeth County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hudspeth County, Texas' internal control over financial reporting and compliance.

Knapp & Company, P.C.

Dallas, Texas
February 6, 2020

FINANCIAL SECTION

GOVERNMENT WIDE FINANCIAL STATEMENTS

HUDSPETH COUNTY, TEXAS
GOVERNMENT WIDE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,808,441
Cash and Cash Equivalents - Restricted	1,981,382
Certificates of Deposit	<u>4,963,767</u>
Total Cash and Bank Deposits	11,753,590
Capital Assets:	
Land	18,000
Other Capital Assets	<u>4,766,675</u>
Total Capital Assets	<u>4,784,675</u>
Total Assets	<u>16,538,265</u>
 <u>DEFERRED OUTFLOWS</u>	 <u>-</u>
 <u>LIABILITIES</u>	
Amounts Due to Others	394,863
Payable to Unreported Component Unit	205,479
Other Liabilities	-
Long-Term Debt	
Due Within One Year	67,327
Due in More Than One Year	<u>446,665</u>
Total Liabilities	<u>1,114,334</u>
 <u>DEFERRED INFLOWS</u>	 <u>39,589</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	4,270,683
Restricted for:	
Restricted	1,011,264
Committed	1,073,757
Assigned	106,899
Unrestricted	<u>8,921,739</u>
 TOTAL NET POSITION	 <u>\$ 15,384,342</u>

HUDSPETH COUNTY, TEXAS
GOVERNMENT WIDE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants	Revenue and Changes in Net Assets Governmental Activities
PRIMARY GOVERNMENT:					
General Government	\$ 2,007,552	\$ 11,775	\$ 947,266	\$ -	\$ (1,048,511)
Justice System	656,407	-	7,707	-	(648,700)
Public Safety	2,224,926	155,267	121,649	-	(1,948,010)
Corrections and Rehabilitation	2,197,715	2,934,329	-	-	736,614
Health and Human Services	171,786	-	-	-	(171,786)
Community and Economic Development	412,610	-	277,850	-	(134,760)
Infrastructure and Environmental Services	1,614,611	-	-	-	(1,614,611)
Interest on Bond Debt	-	-	-	-	-
Total Governmental Activities	9,285,607	3,101,371	1,354,472	-	(4,829,764)
Business-Type Activities:					
None	-	-	-	-	-
Total Primary Government	9,285,607	3,101,371	1,354,472	-	(4,829,764)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					4,073,213
Property Taxes, Levied for Indigent Care					230,544
Investment Earnings					150,725
License & Permits					224,797
Fines and Fees					1,829,495
Contributions					129,558
Other					291,551
Total General Revenues					6,929,883
Change in Net Assets Before Transfers					2,100,119
Transfers - Net					-
Change in Net Assets After Transfers					2,100,119
Net Position - Beginning					13,284,223
Net Position - Ending					\$ 15,384,342

The accompanying notes are an integral part of the financial statements.

FUND BASIS FINANCIAL STATEMENTS

HUDSPETH COUNTY, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET - MODIFIED CASH BASIS
YEAR ENDED SEPTEMBER 30, 2019

	GOVERNMENTAL FUNDS		
	MAJOR	NON-	
	GENERAL	MAJOR	
	FUND	SPECIAL	TOTAL
		REVENUE	GOVERNMENTAL
			FUNDS
<u>ASSETS</u>			
Cash in Bank	\$ 4,808,441	\$ -	\$ 4,808,441
Cash in Bank - Restricted	694,335	1,287,047	1,981,382
Certificates of Deposit	4,960,572	3,195	4,963,767
Due from Other Funds	288,391	3,657	292,048
TOTAL ASSETS	\$ 10,751,739	\$ 1,293,899	\$ 12,045,638
<u>LIABILITIES</u>			
Due to Others	\$ 394,863	\$ -	\$ 394,863
Due to Other Funds	216,064	75,984	292,048
Payable to Unreported Component Unit	205,479	-	205,479
Deferred Inflows	-	39,589	39,589
TOTAL LIABILITIES	816,406	115,573	931,979
<u>FUND BALANCES</u>			
Nonspendable	-	-	-
Restricted	464,066	547,198	1,011,264
Committed	459,639	614,118	1,073,757
Assigned	-	106,899	106,899
Unassigned	9,011,628	(89,889)	8,921,739
Total Fund Balances	9,935,333	1,178,326	11,113,659 a)
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,751,739	\$ 1,293,899	\$ 12,045,638
Total Fund Balances as Reported Above			\$ 11,113,659 a)
Amounts reported for government wide activities in the statement of net assets are different because:			
1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund basis financial statements.			4,784,675
2) Notes and lease obligations payable are not reported in the fund basis financial statements.			(513,992)
Net Assets of Government Wide Activities			<u>\$ 15,384,342</u>

HUDSPETH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGED IN FUND BALANCES
MODIFIED CASH BASIS
YEAR ENDED SEPTEMBER 30, 2019

FUNCTIONS/PROGRAMS	GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
	MAJOR GENERAL FUND	NON - MAJOR SPECIAL REVENUE	
REVENUES:			
Property Tax	\$ 4,073,213	\$ 230,544	\$ 4,303,757
License & Permits	224,797	-	224,797
Fines and Fees	1,114,468	269,740	1,384,208
Public Service Fees	445,287	-	445,287
Grant Revenues and Intergovernmental	61,025	338,474	399,499
Intergovernmental Reimbursements	947,266	7,707	954,973
Charges for Services	11,775	-	11,775
Investment Income	134,901	15,824	150,725
Seizures Proceeds	-	155,267	155,267
Contributions	-	129,558	129,558
Corrections and Rehabilitation	2,934,329	-	2,934,329
Other	276,991	14,560	291,551
Total Revenues	10,224,052	1,161,674	11,385,726
EXPENDITURES:			
Current:			
General Government	1,832,135	77,957	1,910,092
Justice System	640,110	15,397	655,507
Public Safety	1,844,148	438,271	2,282,419
Corrections and Rehabilitation	2,073,890	-	2,073,890
Health and Human Services	31,805	139,981	171,786
Community and Economic Development	36,721	374,535	411,256
Infrastructure and Environmental Services	1,909,043	-	1,909,043
Debt Service - Bonds Payable			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	8,367,852	1,046,141	9,413,993
Excess (Deficiency) of Revenues Over Expenditures	1,856,200	115,533	1,971,733
OTHER FINANCING SOURCES (USES)			
Other Financial Sources - Bank Loans	435,150	-	435,150
Transfers Out	(47,039)	4,829	(42,210)
Transfers In	42,210	-	42,210
Total Other Financing Sources (Uses)	430,321	4,829	435,150
Net Change In Fund Balances	2,286,521	120,362	2,406,883 a)
Fund Balances - Beginning	7,648,812	1,057,964	8,706,776
Fund Balances - Ending	\$ 9,935,333	\$ 1,178,326	\$ 11,113,659
Reconciliation of Changes in Fund balances to Changes in Net Assets as Reported in the Government Wide Statement of Activities			
Change in Net Assets as Reported Above on a Fund Accounting Basis		\$ 2,406,883 a)	
Debt Principal Payments Applied to Debt		147,723	
Loan proceeds reported as debt		(435,150)	
Capitalized - Capital Expenditures		645,951	
Depreciation Expense Recorded		(665,288)	
Changes in Net Assets as Reported in the Government Wide Statement of Activities		\$ 2,100,119	

The accompanying notes are an integral
part of the financial statements.

HUDSPETH COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
- TRUST AND AGENCY FUNDS
AS OF SEPTEMBER 30, 2019

<u>ASSETS</u>	<u>REGISTRY TRUST FUND</u>
Cash - Restricted	\$ -
Cash - Money Market	-
Certificates of Deposit	<u>22,134</u>
Total Assets	<u><u>22,134</u></u>
 <u>LIABILITIES</u>	
Trust and Agency Funds payable	22,134
Due to Other Funds	<u>-</u>
Total Liabilities	<u><u>22,134</u></u>
 <u>FUND BALANCE (DEFICIT)</u>	
Restricted Fund Balance	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 22,134</u></u>

HUDSPETH COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hudspeth County, Texas (County) is incorporated as a County Corporation under the laws of the state of Texas. The County operates under a charter that establishes management by an elected County Judge and a Commissioners Court consisting of four elected members. The accounting and reporting policies of the County relating to the funds and account groups included in the accompanying combined financial statements utilize the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity - The County reports only the primary government of Hudspeth County, Texas, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the West Texas Detention Facility Corporation or Hudspeth County Emergency Services Districts #1 and # 2 which are considered separate component unit entities of the County because the County either appoints those charged with governance or has common governing members. Accounting principles generally accepted in the United States of America would require the component units to be reported with the financial data of the County's primary government as component units. As a result, the primary government financial statements presented do not purport to, and do not, present fairly the financial position of the reporting entity of Hudspeth County, Texas, as of September 30, 2019, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Hudspeth County Emergency Services Districts #1 and # 2 issue separate reporting entity financial statements as of and for the year ended September 30, 2019. The financial statements of Hudspeth County Emergency Services Districts #1 and #2 are available upon request of the County Clerk, Courthouse, Sierra Blanca, Texas, 79851. There are no financial statements available from the County for the West Texas Detention Facility Corporation.

Basic Financial Statements—Government-Wide Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's law enforcement, fire protection, parks, recreation, roads and bridges, jail, and general administrative services are classified as governmental activities.