

HUDSPETH COUNTY, TEXAS

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2020**

**HUDSPETH COUNTY, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Honorable Joanna Mackenzie and
Members of the Commissioners' Court of
Hudspeth County, Texas

We have audited the accompanying financial statements of Hudspeth County, Texas (the "County"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis method of accounting as 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 error or fraud.

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	Adverse
Aggregate Discretely Presented Component Units	Adverse
Major Governmental Fund	Adverse
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinion - Discretely Presented Component Units

The financial statements referred to above do not include the financial data for the West Texas Detention Facility Corporation or the 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 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 Adverse Opinion - on the Governmental Activities, Major Governmental Fund and Aggregate Remaining Fund Information

The County did not effectively reconcile pooled cash accounts subsequent to December 2019. As a result, it is estimated that reported cash was understated by approximately \$294,223. 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 Opinions

In our opinions, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" and "Basis for Adverse Opinion on the "Governmental Activities, Major Governmental Fund and Aggregate remaining Fund Information" paragraphs, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units, 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, 2020, and the respective changes in modified cash basis in financial position thereof for the year then ended in accordance with the 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, schedule of changes in TCDRS net pension liability and related ratios, and schedule of TCDRS contributions, as listed in the table of contents, is required to 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, as listed in the table of contents, are the responsibility of management, and were derived from and related 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 to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

Smith & Rives, PC
Monahans, Texas
May 5, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hudspeth County, Texas, discuss and analyze the County's financial performance for the fiscal year ended September 30, 2020. Please read it in conjunction with the Independent Auditor's Report on page 1, and the County's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The County's net position increased by \$435,810 as a result of this year's operations. The County does not have any business-type activities, so all changes are attributable to our governmental activities. (Exhibit B-1)

During the year, the County had expenditures that were \$376,098 less than the \$9,652,968 generated in taxes and other revenues for the governmental programs. (Exhibit C-3) This compares to last year when revenues exceeded expenditures by \$1,971,733.

Total cost of the County's programs was \$9,217,176, while last year's cost was \$9,285,607. (Exhibit B-1)

The General Fund ended the year with a fund balance of \$10,138,815, which is above last year's fund balance of \$9,935,333.

The resources available for appropriation were \$268,015, or about 3.35% more than budgeted for the General Fund. This is primarily due to greater than expected J.P. Fees, Miscellaneous Revenue, and West Texas Detention Facility Fees.

Actual expenditures were \$72,702 more than budgeted for the General Fund due primarily to increased costs in the Sheriff's office, the Jail and General Administration.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of others.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds and individual fund statements contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all

the County's assets and some liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the modified cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This method of accounting recognizes revenue when received and expenses when paid. Therefore, items such as taxes receivable, accounts payable, and the components of the net pension liability are not reported in the financial statements.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base or the condition of the County's facilities.

In the Statement of Net Position 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, including 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 Unit: The County currently reports no component units.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes. The County's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds: Most of the County's basic services are reported in governmental funds. The modified cash basis method of accounting is used for governmental funds. The fund financial statements are intended to report cash balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following Exhibits C-1 and C-3.

Proprietary Funds: The County does not report any proprietary fund types.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

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 a separate Statement of Fiduciary Net Position on page 18. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its

operations. The County is only responsible for ensuring that the assets in these funds are used for their intended purposes. The County's fiduciary fund is the Registry Trust Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position of the County's governmental activities increased from \$15,384,342 to \$15,834,157. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$8,590,457 at September 30, 2020. Governmental net position was impacted by the following three factors. First, property taxes were \$4,402,602. Second, the County paid leases in the amount of \$97,872. Third, the District recorded depreciation of \$714,094, which is a non-cash expense.

**Table I
Hudspeth County, Texas**

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	2020	2019
Current and other assets	\$ 12,113,641	\$ 11,753,590
Capital assets	<u>4,746,495</u>	<u>4,784,675</u>
Total assets	<u>\$ 16,860,136</u>	<u>\$ 16,538,265</u>
Long-term liabilities	\$ 416,119	\$ 513,992
Other liabilities	<u>609,860</u>	<u>600,342</u>
Total liabilities	<u>\$ 1,025,979</u>	<u>\$ 1,114,334</u>
Deferred Inflow:	<u>\$ 0</u>	<u>\$ 39,589</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,330,376	\$ 4,270,683
Restricted	2,913,324	1,011,264
Committed	0	1,073,757
Assigned	0	106,899
Unrestricted	<u>8,590,457</u>	<u>8,921,739</u>
Total Net Position	<u>\$ 15,834,157</u>	<u>\$ 15,384,342</u>

Table II
Hudspeth County, Texas

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,902,284	\$ 3,101,371
Operating Grants and Contributions	337,468	1,354,472
Capital Grants and Contributions	395,887	0
General Revenues:		
Maintenance and Operations Taxes	4,402,602	4,303,757
Other Taxes	85,355	0
Mixed Beverage Tax	259	0
License & Permits	0	224,797
Fines & Fees	0	1,829,495
Grants and Contributions not restricted	851,957	0
Investment Earnings	84,997	150,725
Miscellaneous	592,177	421,109
Total Revenue	<u>\$ 9,652,986</u>	<u>\$ 11,385,726</u>
Expenses:		
General Government	\$ 2,088,616	\$ 2,007,552
Justice System	694,031	656,407
Public Safety and Corrections	4,629,082	4,422,641
Infrastructure and Environmental Services	1,617,135	1,614,611
Health & Welfare	91,340	171,786
County Agent	87,472	0
Community and Economic Development	9,500	412,610
Total Expenses	<u>\$ 9,217,176</u>	<u>\$ 9,285,607</u>
Increase in Net Position before transfers	\$ 435,810	\$ 2,100,119
Transfers In (Out)	<u>0</u>	<u>0</u>
Increase in Net Position	\$ 435,810	\$ 2,100,119
Net Position - October 1	15,384,342	13,284,223
Prior Period Adjustments	<u>14,005</u>	<u>0</u>
Net Position - September 30	<u>\$ 15,834,157</u>	<u>\$ 15,384,342</u>

The cost of all governmental activities this year was \$9,217,176. However, as shown in the Statement of Activities on page 11, some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The remainder of the costs, \$5,581,537, was paid for primarily with taxes and other revenues.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$11,503,781, which is more than last year's total of \$11,113,678. This increase is attributable mostly to the County's General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table depicts the ending balances for the various categories of capital assets held by the County as of year-end. Details of the changes are further noted in the notes to the financial statements.

	Governmental Activities	
	2020	2019
Land	\$ 18,000	\$ 18,000
Infrastructure	2,481,415	2,877,302
Buildings	5,850,504	5,879,004
Furniture & Equipment	7,623,328	7,874,856
Total	\$ 15,973,247	\$ 16,649,162

Debt

At September 30, 2020, the County equipment lease obligations totaled \$416,120, as opposed to \$513,992 in the prior year. Principal payments of all leases were \$97,872, which were paid in accordance with the lease agreements or earlier. There were no new lease obligations in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2021 budget and tax rate. One of those factors is the economy and, in particular, the oil & gas industry. The price of crude oil and natural gas has dropped, but rebounded over the course of the current year, which contributes heavily upon the valuation of properties on the mineral roll.

These indicators were considered when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$8,104,314, an increase of 1.35% over the original 2020 budget of \$7,995,987. The County will use its revenues to finance programs we currently offer. Appropriations in the General Fund budget are \$7,966,993, a decrease of 0.03% over the original 2020 budget of \$7,993,392. If these estimates are realized, the County's budgetary General Fund fund balance is expected to increase by about \$137,321 by the close of the 2021 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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.

BASIC FINANCIAL STATEMENTS

HUDSPETH COUNTY, TX
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
CASH ASSETS	
1010 Cash and Cash Equivalents	\$ 4,094,100
1030 Investments - Current	8,019,541
Capital Assets:	
1710 Land Purchase and Improvements	18,000
1720 Infrastructure, Net	1,421,813
1730 Buildings, Net	2,292,240
1750 Furniture and Equipoment, Net	1,014,442
1000 Total Cash Assets	16,860,136
LIABILITIES	
2090 Due to Others	609,860
Noncurrent Liabilities:	
2501 Debt Due Within One Year	75,472
2502 Bonds Payable - Noncurrent	340,647
2000 Total Liabilities	1,025,979
CASH BALANCES	
3200 Net Investment in Capital Assets	4,330,376
Restricted for:	
3810 Restricted for Roads & Bridges	459,639
3820 Restricted for Solid Waste Management	548,670
3890 Restricted for Other Purposes	1,905,015
3900 Unrestricted Net Position	8,590,457
3000 Total Cash Balances	\$ 15,834,157

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

HUDSPETH COUNTY, TX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Data Control Codes	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
111 County Judge	\$ 318,994	\$ 8,748	\$ 20,150
112 Courthouse	94,399	-	-
113 County & District Clerk	258,014	58,848	-
114 General Administration	758,259	1,877	6,949
121 Tax Assessor-Collector	316,383	-	-
122 Treasurer	124,525	-	-
123 Auditor	218,042	-	-
130 Judicial	6,354	-	-
131 Justice of the Peace - Precinct 1	163,538	168,290	-
132 Justice of the Peace - Precinct 2	166,794	172,187	-
133 Justice of the Peace - Precinct 3	50,387	47,203	-
134 Justice of the Peace - Precinct 4	41,521	18,080	-
135 394th District Court	26,989	-	-
136 Jury	117,935	-	-
141 County Attorney	120,513	-	-
200 Public Safety	4,456,917	1,952,500	178,738
230 Jail	172,165	-	62,954
300 Public Works	70,075	-	68,677
311 Commissioner - Precinct 1	354,740	525	-
312 Commissioner - Precinct 2	380,261	-	-
313 Commissioners - Precinct 3 and 4	453,646	-	-
320 Solid Waste Management	358,413	474,026	-
400 Health and Welfare	91,340	-	-
611 County Agent	87,472	-	-
620 Community and Economic Development	9,500	-	-
TOTAL PRIMARY GOVERNMENT	\$ 9,217,176	\$ 2,902,284	\$ 337,468

Data Control Codes	General Receipts:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5131	Selective Sales and Use Tax
5150	Gross Receipts Business Tax
5180	Other Taxes
5600	Grants and Contributions
5700	Miscellaneous Revenue
5800	Investment Earnings
	Total General Receipts
	Change in Cash Balance
	Cash Balance - Beginning
	Prior Period Adjustment
	Cash Balance - Ending

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

Net (Disbursements) Receipts and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental Activities
\$ -	\$ (290,096)
-	(94,399)
-	(199,166)
-	(749,433)
-	(316,383)
-	(124,525)
-	(218,042)
-	(6,354)
-	4,752
-	5,393
-	(3,184)
-	(23,441)
-	(26,989)
-	(117,935)
-	(120,513)
-	(2,325,679)
-	(109,211)
395,887	394,489
-	(354,215)
-	(380,261)
-	(453,646)
-	115,613
-	(91,340)
-	(87,472)
-	(9,500)
<u>\$ 395,887</u>	<u>(5,581,537)</u>

4,402,602
259
6,575
78,780
851,957
592,177
84,997
<u>6,017,347</u>
435,810
15,384,342
14,005
<u>\$ 15,834,157</u>

HUDSPETH COUNTY, TX
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
CASH ASSETS			
1010 Cash and Cash Equivalents	\$ 2,659,839	\$ 1,434,261	\$ 4,094,100
1030 Investments - Current	8,016,304	3,237	8,019,541
1300 Due from Other Funds	76,189	3,657	79,846
1000 Total Cash Assets	<u>\$ 10,752,332</u>	<u>\$ 1,441,155</u>	<u>\$ 12,193,487</u>
LIABILITIES			
2080 Due to Other Funds	\$ 3,657	\$ 76,189	\$ 79,846
2090 Due to Others	609,860	-	609,860
2000 Total Liabilities	<u>613,517</u>	<u>76,189</u>	<u>689,706</u>
CASH BASIS FUND BALANCES:			
3461 Restricted for Roads & Bridges	\$ 459,639	\$ -	\$ 459,639
3462 Restricted for Solid Waste Management	548,670	-	548,670
3490 Other Restricted Fund Balance	464,065	455,902	919,967
3590 Other Assigned Fund Balance	-	985,048	985,048
3600 Unassigned Fund Balance	8,666,441	(75,984)	8,590,457
3000 Total Cash Basis Fund Balances	<u>10,138,815</u>	<u>1,364,966</u>	<u>11,503,781</u>
4000 Total Liabilities and Cash Basis Fund Balances	<u>\$ 10,752,332</u>	<u>\$ 1,441,155</u>	<u>\$ 12,193,487</u>

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

HUDSPETH COUNTY, TX
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$	11,503,781
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,270,682
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		773,845
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(714,151)
Net Position of Governmental Activities	\$	<u>15,834,157</u>

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

HUDSPETH COUNTY, TX
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-3

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
RECEIPTS:			
Taxes:			
5110 Property Taxes	\$ 4,073,254	\$ 329,330	\$ 4,402,584
5131 Selective Sales and Use Tax	259	-	259
5150 Gross Receipts Business Tax	-	6,575	6,575
5180 Other Taxes	78,780	-	78,780
5200 Licenses and Permits	175,751	-	175,751
5300 Intergovernmental Revenue and Grants	1,998,074	688,989	2,687,063
5400 Charges for Services	1,093,913	74,762	1,168,675
5510 Fines	189,264	95,552	284,816
5530 Seizure Proceeds	-	156,458	156,458
5610 Investment Earnings	80,067	4,930	84,997
5620 Rents and Royalties	6,000	-	6,000
5640 Contributions & Donations from Private Sources	-	8,833	8,833
5700 Other Revenue	568,640	23,537	592,177
5020 Total Receipts	<u>8,264,002</u>	<u>1,388,966</u>	<u>9,652,968</u>
DISBURSEMENTS:			
Current:			
General Government:			
0111 County Judge	282,015	-	282,015
0112 Courthouse	86,903	1,926	88,829
0113 County & District Clerk	163,404	69,938	233,342
0114 General Administration	702,850	67,560	770,410
0121 Tax Assessor-Collector	303,312	-	303,312
0122 Treasurer	111,012	-	111,012
0123 Auditor	192,727	-	192,727
0130 Judicial	-	6,354	6,354
0131 Justice of the Peace - Precinct 1	160,687	2,745	163,432
0132 Justice of the Peace - Precinct 2	151,909	2,745	154,654
0133 Justice of the Peace - Precinct 3	45,742	35	45,777
0134 Justice of the Peace - Precinct 4	35,148	1,785	36,933
0135 394th District Court	23,789	-	23,789
0136 Jury	114,823	-	114,823
0141 County Attorney	105,057	-	105,057
0200 Public Safety	3,992,841	468,386	4,461,227
0300 Public Works	-	465,962	465,962
0311 Commissioner - Precinct 1	367,911	-	367,911
0312 Commissioner - Precinct 2	394,561	-	394,561
0313 Commissioners - Precinct 3 and 4	418,220	-	418,220
0320 Solid Waste Management	326,748	-	326,748
0400 Health and Welfare	-	91,340	91,340
Conservation and Development:			
0611 County Agent	108,935	-	108,935
0620 Community and Economic Development	-	9,500	9,500
6030 Total Disbursements	<u>8,088,594</u>	<u>1,188,276</u>	<u>9,276,870</u>
1100 Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>175,408</u>	<u>200,690</u>	<u>376,098</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	30,025	1,950	31,975
8911 Transfers Out (Use)	(1,950)	(30,025)	(31,975)
7080 Total Other Financing Sources (Uses)	<u>28,075</u>	<u>(28,075)</u>	<u>-</u>
1200 Net Change in Cash Basis Fund Balance	203,483	172,615	376,098
0100 Cash Basis Fund Balance - October 1	9,935,332	1,178,346	11,113,678
1300 Prior Period Adjustment	-	14,005	14,005
3000 Cash Basis Fund Balance - September 30 (Ending)	<u>\$ 10,138,815</u>	<u>\$ 1,364,966</u>	<u>\$ 11,503,781</u>

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

HUDSPETH COUNTY, TX
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	376,098
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase the change in net position.		773,845
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(714,151)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		18
Change in Net Position of Governmental Activities	\$	435,810

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

HUDSPETH COUNTY, TX
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND-MODIFIED CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 4,165,787	\$ 4,165,787	\$ 4,073,254	\$ (92,533)
5131	Selective Sales and Use Tax	500	500	259	(241)
5150	Gross Receipts Business Tax	8,000	8,000	-	(8,000)
5180	Other Taxes	70,000	70,000	78,780	8,780
5200	Licenses and Permits	144,000	144,000	175,751	31,751
5300	Intergovernmental Revenue and Grants	2,244,200	2,244,200	1,998,074	(246,126)
5400	Charges for Services	1,049,500	1,049,500	1,093,913	44,413
5510	Fines	-	-	189,264	189,264
5610	Investment Earnings	57,000	57,000	80,067	23,067
5620	Rents and Royalties	5,000	5,000	6,000	1,000
5700	Other Revenue	252,000	252,000	568,640	316,640
5020	Total Revenues	<u>7,995,987</u>	<u>7,995,987</u>	<u>8,264,002</u>	<u>268,015</u>
EXPENDITURES:					
Current:					
0111	County Judge	278,618	278,618	282,015	(3,397)
0112	Courthouse	113,108	113,108	86,903	26,205
0113	County & District Clerk	145,818	145,818	163,404	(17,586)
0114	General Administration	611,601	611,601	702,850	(91,249)
0121	Tax Assessor-Collector	307,997	307,997	303,312	4,685
0122	Treasurer	114,950	114,950	111,012	3,938
0123	Auditor	176,963	192,963	192,727	236
0131	Justice of the Peace - Precinct 1	144,892	144,892	160,687	(15,795)
0132	Justice of the Peace - Precinct 2	144,240	150,740	151,909	(1,169)
0133	Justice of the Peace - Precinct 3	51,137	51,137	45,742	5,395
0134	Justice of the Peace - Precinct 4	47,778	47,778	35,148	12,630
0135	394th District Court	41,871	41,871	23,789	18,082
0136	Jury	120,019	120,019	114,823	5,196
0141	County Attorney	117,026	117,026	105,057	11,969
0210	Sheriff	1,918,769	1,918,769	2,063,694	(144,925)
0220	Department of Public Safety	14,588	14,588	12,742	1,846
0230	Jail	1,774,707	1,774,707	1,916,405	(141,698)
0311	Commissioner - Precinct 1	420,594	420,594	367,911	52,683
0312	Commissioner - Precinct 2	422,610	422,610	394,561	28,049
0313	Commissioners - Precinct 3 and 4	517,884	517,884	418,220	99,664
0320	Solid Waste Management	394,341	394,341	326,748	67,593
0611	County Agent	113,881	113,881	108,935	4,946
6030	Total Expenditures	<u>7,993,392</u>	<u>8,015,892</u>	<u>8,088,594</u>	<u>(72,702)</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,595</u>	<u>(19,905)</u>	<u>175,408</u>	<u>195,313</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	30,025	30,025
8911	Transfers Out (Use)	-	-	(1,950)	(1,950)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,075</u>	<u>28,075</u>
1200	Net Change in Fund Balances	2,595	(19,905)	203,483	223,388
0100	Cash Basis Fund Balance - October 1	<u>9,935,332</u>	<u>9,935,332</u>	<u>9,935,332</u>	<u>-</u>
3000	Cash Basis Fund Balance - September 30 (Ending)	<u>\$ 9,937,927</u>	<u>\$ 9,915,427</u>	<u>\$ 10,138,815</u>	<u>\$ 223,388</u>

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

HUDSPETH COUNTY, TX
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 22,250
Total Assets	<u>\$ 22,250</u>
LIABILITIES	
Due to Others	\$ 22,250
Total Liabilities	<u>\$ 22,250</u>

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

**HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution, Local Government Code, and V.A.C.S. Hudspeth County (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 method of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). 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, 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. U.S. GAAP 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, 2020, the changes in its financial position for the year then ended in conformity with U.S. GAAP. Hudspeth County Emergency Services Districts #1 and #2 issue separate reporting entity financial statements as of and for the year ended September 30, 2020. The financial statements of these two districts are available upon request of the County Clerk. There are no financial statements available from the County for the West Texas Detention Facility Corporation.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements that report information on all of the County's non-fiduciary activities with most of the interfund activities removed. *Governmental Activities* include programs supported primarily by taxes, fines and fees, grants, and other intergovernmental revenues. *Business-Type Activities* include operations that rely, to a significant extent, on fees and charges for support. The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identified with a particular function. Program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds appear as a due to or due from on the Governmental Fund Balance Sheet and as other resources or other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds are not eliminated.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories: governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and

producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

Fund Accounting

The County reports the following major governmental funds:

General Fund: The General Fund is the County's primary operating fund. It accounts for all financial resources except for those required to be accounted for in another fund. Its fund balance is available for any purpose, provided it is expended or transferred in accordance with the County's legally adopted budget.

The County also reports the following funds:

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

Agency Fund: The Agency Funds are used to report assets that cannot be used to support County activities and are held in a fiduciary capacity by the County for the benefit of others.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The County presents its financial statements in accordance with the modified cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues are recognized when received, and expenses are recognized when paid. As a modification to the pure cash basis method of accounting, the County presents its capital assets, net of depreciation, and its capital leases in the government-wide financial statements.

Financial Statement Amounts

Cash and Cash Equivalents: Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Current Investments: While still fairly liquid, these investments have a maturity of 91 days to one year. When applicable, these investments are stated at cost.

Inventories: The County does not inventory supplies. Supplies are expended when purchased and the effect to the financial statements is not considered to be material.

Capital Assets: Capital assets, which include land, infrastructure, buildings, furniture, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, infrastructure, and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	20 to 50
Buildings	20 to 50
Building Improvements	10 to 15
Vehicles and Heavy Equipment	5 to 10
Furniture and Equipment	5 to 10
Computer Equipment	3 to 5

Compensated Absences: The County’s accounting policy provides employees the option to be paid unused vacation. The County continues to expense vacation leave and associated employee-related costs when paid. Employees also earn sick leave benefits based on time of service. In accordance with the modified cash basis method of accounting, the County does not record a liability for compensated absences.

Interfund Activity: Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

Accounting Estimates: The preparation of financial statements on the modified cash basis method of accounting 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. Actual results could differ from those estimates.

Fund Balance: The County has adopted the fund balance classifications prescribed by GASB Statement No. 54. Fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned based on the circumstances that apply.

Nonspendable fund balance includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance includes funds with constraints placed on the use of resources that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for a specific purpose pursuant to constraints imposed by court resolution or formal action of the Commissioners’ Court, which is the County’s highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by (1) the Commissioners Court action or (2) by the County Judge, who is the official delegated by the Commissioners’ Court with the authority to assign amounts to be used for a specific purpose.

Unassigned fund balance is the resulting difference between total fund balances less the previous types of fund balances and is at the discretion of the Commissioners' Court. The General Fund is the only type of fund that may represent a positive unassigned fund balance. In other governmental funds, if expenditures paid for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

Encumbrances: The County does not encumber or reserve an appropriation for future expenditures. Appropriations lapse at fiscal year-end and must be appropriated in the next fiscal year's budget.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County Judge submits an annual budget to the Commissioners' Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners' Court for review, budget workshops are held with the various County department officials, and public hearings are held to address the priorities and the allocation of resources. Prior to September 30, the Commissioners' Court adopts the annual fiscal year budget for all County operating funds. Once approved, the Commissioners' Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget is prepared in accordance with the modified cash basis method of accounting. Revenues are budgeted in the year the receipt is expected, and expenditures are budgeted in the year that payment is expected. The County compares the final amended budget to actual revenues and expenditures. Overall, actual expenditures exceeded the final budget.

Expenditures in Excess of Appropriations

Functional expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
County Judge	\$ 278,618	\$ 282,015	\$ (3,397)
County & District Clerk	145,818	163,404	(17,586)
General Administration	611,601	702,850	(91,249)
Justice of the Peace - Precinct 1	144,892	160,687	(15,795)
Justice of the Peace - Precinct 2	150,740	151,909	(1,169)
Sheriff	1,918,769	2,063,694	(144,925)
Jail	1,774,707	1,916,405	(141,698)
Transfers In	0	30,025	(30,025)
Transfers Out	0	(1,950)	1,950

NOTE 3: DEPOSITS, INVESTMENTS, AND SECURITIES

At September 30, 2020, the carrying amount of the County’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,135,891, and the bank balance was \$11,072,520. The County’s cash deposits during the year ended September 30, 2020 were entirely covered by FDIC Insurance, letter of credit, or pledged collateral.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Bank	Highest Deposit	Fair Market Value Securities Pledged	FDIC Insurance	Month
Pecos County State Bank	\$ 13,019,671	\$ 14,629,387	\$ 500,000	Apr-20
Pecos County State Bank	3,004,307	CDARS Program	3,004,307	Apr-20

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent bank. The County did not experience any custodial credit risk for deposits during the year under audit.

Foreign Currency Risk – The County has no investments or deposits of a foreign currency.

County Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County’s temporary investments consist of balances held in certificates of deposit. The County has no long-term investments.

NOTE 4: PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when received. Property taxes are collected for the County by the Hudspeth County Appraisal District. The Appraisal District collects and remits to the County all taxes and any applicable penalties and interest on delinquent taxes.

In accordance with the modified cash basis method of accounting, the County does not record a delinquent taxes receivable or associated uncollectible allowance and deferred inflow.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2020 consisted of the following:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund:			
Special Revenue Funds	76,189	3,657	Current Operations
Special Revenue Funds:			
General Fund	<u>3,657</u>	<u>76,189</u>	Current Operations
Total	<u>\$ 79,846</u>	<u>\$ 79,846</u>	

Transfers between funds during the year consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General Fund:			
Special Revenue Funds	30,025	1,950	Current Operations
Special Revenue Funds:			
General Fund	<u>1,950</u>	<u>30,025</u>	Current Operations
Total	<u>\$ 31,975</u>	<u>\$ 31,975</u>	

NOTE 6: CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 18,000	\$ 0	\$ 0	\$ 18,000
Construction in Progress	0	0	0	0
Total	18,000	0	0	18,000
Depreciable Capital Assets:				
Infrastructure	2,481,415	395,887	0	2,877,302
Buildings and Improvements	5,850,504	28,500	0	5,879,004
Furniture and Equipment	7,623,328	251,528	0	7,874,856
Total	15,955,247	675,915	0	16,631,162
Less: Accumulated Depreciation				
Infrastructure	(1,331,569)	(123,918)	0	(1,455,487)
Buildings and Improvements	(3,392,768)	(193,996)	0	(3,586,764)
Furniture and Equipment	(6,464,235)	(396,180)	0	(6,860,415)
Total	(11,188,572)	(714,094)	0	(11,902,666)
Capital Assets, Net	\$ 4,784,675	\$ (38,179)	\$ 0	\$ 4,746,496

Depreciation Expense was charged to governmental functions as follows:

Function	Governmental Activities
County Judge	\$ 36,979
Courthouse	5,570
County & District Clerk	24,672
General Administration	2,349
Tax Assessor/Collector	13,071
County Treasurer	13,513
County Auditor	25,315
Justice of the Peace - Precinct 1	14,106
Justice of the Peace - Precinct 2	12,140
Justice of the Peace - Precinct 3	4,610
Justice of the Peace - Precinct 4	4,588
394th District Court	3,200
Jury	3,112
County Attorney	15,456
Public Safety	216,838
Jail	172,165
Commissioner - Precinct 1	34,131
Commissioner - Precinct 2	36,271
Commissioner - Precincts 3 & 4	35,426
Solid Waste Management	31,665
County Agent	8,917
Total Depreciation	\$ 714,094

NOTE 7: LONG-TERM DEBT

In 2015, the County entered into a financing agreement with Caterpillar Financial Services for a Model 924K CAT Wheel Loader. The total cost of the Wheel Loader plus fees was \$143,117 and required a down payment of \$14,000. The remaining \$129,117 has been financed over a term of 72 months at an interest rate of 3.20% with payments of \$1,721 starting in March 2015 and ending March 2021. A balloon payment of \$20,000 will be required at the end of the terms.

In 2015, the County borrowed funds to finance the purchase of a Peterbuilt Water Truck. The total cost of the Water Truck plus fees was \$155,266. This amount has been financed over a term of 7 years at an interest rate of 3.786% with payments of \$25,613 due annually starting in November 2019 and ending November 2022.

In 2019, the County borrowed funds to finance the purchase of a Dump Truck. The total cost of the Dump Truck was \$129,447. This amount has been financed over a term of 7 years at an interest rate of 4.75% with payments of \$21,448 due annually starting in March 2019 and ending in March 2025.

In 2019, the County borrowed funds to finance the purchase of a 2019 CAT Motor Grader. The note require 8 annual payments of \$41,730 with a final payment Due October 1, 2026. The note bears interest at 3.52%.

Long-Term Debt activity for the year ended September 30, 2020 was as follows:

Description	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
CAT Wheel Loader Lease	\$ 46,866	\$ 0	\$ 17,815	\$ 29,051	\$ 1,646
Water Truck Lease	93,412	0	22,066	71,346	22,911
Dump Truck Lease	109,741	0	16,236	93,505	17,007
Motor Grader 3 & 4 Lease	254,973	0	32,755	222,218	33,908
Vendor Loan Secured by 2007 Pickup	9,000	0	9,000	0	0
Total	\$ 513,992	\$ 0	\$ 97,872	\$ 416,120	\$ 75,472

Future obligations for long-term debt are as follows:

Year	Principal	Interest	Total
2021	75,472	15,041	90,513
2022	78,345	12,168	90,513
2023	81,332	9,181	90,513
2024	58,823	6,077	64,900
2025	81,836	3,821	85,657
2026	40,312	1,419	41,731
Total	\$ 416,120	\$ 47,707	\$ 463,827

NOTE 8: EMPLOYEE RETIREMENT

Plan Description

The County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. For the County's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 175%) and is converted to an annuity. There are no automatic COLAs. Each year, the County may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

The County's contribution rate is calculated annually on an actuarial basis, although the County may elect to contribute at a higher rate. The County's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the County and are currently 7%. Contributions to the pension plan from the County for 2018 are shown in the Schedule of Employer Contributions. The most recent comprehensive annual financial report for TCDRS can be found at www.tcdrs.org.

Membership information is as follows:

<u>Members</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Number of inactive employees entitled to but not yet receiving benefits	143	157
Number of active employees	122	122
Average monthly salary *	\$2,140	\$2,533
Average age *	42.17	43.43
Average length of service in years *	7.88	7.92
Inactive employees (or Beneficiaries) receiving benefits		
Number of benefit recipients	38	41
Average monthly benefit	\$604	\$599

* Averages reported for active employees

Net Pension Asset

The County's Net Pension Asset (NPA) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determine the total pension liability as of December 31, 2019 were the same as those used in the December 31, 2019 actuarial valuation analysis for the County:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method:	
Economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation method smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary increases	3.25% wage inflation, 1.6% merit increases
Investment rate of return	8.00%
Cost of living adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement age	Deferred members are assumed to retire at the later of: 1) age 60 or 2) earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace terminated members and have similar entry ages.
Mortality	Depositing members: 90% of the RP-2014 active employee mortality table for males and 90% of the RP-2014 active employee mortality table for females, projected with 110% of the MP-2014 ultimate scale after 2014. Service retirees, beneficiaries, and non-depositing members: 130% of the RP-2014 healthy annuitant mortality table for males and 110% of the RP-2014 healthy annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees: 130% of the RP-2014 disabled annuitant mortality table for males and 115% of the RP-2014 disabled annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Long-term Rate of Investment Return and Target Allocation

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

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

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected minus Inflation)(2)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%
	Total	100.00%	

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

(2) Geometric real rates of return in addition to assumed inflation of 1.80% per Cliffwater's 2020 capital market assumptions.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8.10%.

Sensitivity Analysis

The following presents the net pension liability of the County 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 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 9,291,867	\$ 8,228,168	\$ 7,335,163
Fiduciary Net Position	<u>8,772,194</u>	<u>8,772,194</u>	<u>8,772,194</u>
Net Pension Liability(Asset)	<u>\$ 519,673</u>	<u>\$ (544,026)</u>	<u>\$ (1,437,031)</u>

At the measurement date, December 31, 2019, pension expense was as follows:

Service Cost	\$ 309,013
Interest on Total Pension Liability (1)	623,346
Effect of Plan Changes	0
Administrative Expenses	6,685
Member Contributions	(237,022)
Expected Investment Return, Net of Investment Expenses	(609,465)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(32,741)
Recognition of Assumption Changes or Inputs	10,185
Recognition of Investment Gains or Losses	63,600
Other (2)	<u>(2,354)</u>
Pension Expense (Income)	<u>\$ 131,247</u>

(1) Reflects the change in the liability due to the time value of money.

TCDRS does not charge fees or interest.

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

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS

The Commissioners' Court approved a policy to pay post-retirement health care benefits to vested retired employees, effective January 12, 2019. The adopted policy requires the County to pay up to 50% of retirees' health care insurance costs for the lesser of five years or until the retiree qualifies for Medicare benefits. The County's expenditures totaled \$7,536 for the year ended September 30, 2020, which represents the costs as paid in accordance with the modified cash basis method of accounting. The net OPEB liability is not recorded on the financial statements; however, for disclosure purposes, the following table provides a recap of the preliminary estimated unfunded net OPEB liability as determined in accordance with GASB Statement No. 45 as of October 1, 2015.

Net Pension Liability/(Asset):	
Total OPEB Liability	1,053,651
Present Value of Future Normal Costs	557,080
Net OPEB Liability (Asset)	496,571
Fiduciary net position as a percentage of total pension liability	52.87%
Covered Payroll	2,359,701
Net OPEB Liability as a percentage of covered payroll	21.04%

Preliminary estimates are calculated based on the discount rate and actuarial assumptions as follow:

Discount Rate:	4.00%
Health Care Cost Trend (inflation):	5.00%
Plan Participation:	50.00%
Payroll Growth:	3.00%

NOTE 10: MUNICIPAL SOLID WASTE LANDFILL

The County owns and operates two landfills, one of 43 acres and another of 137 acres in permitted site areas. Based on current operations, these two landfills have estimated remaining lives of 16 and 57 years, respectively. State and federal laws and regulations require the County to place a final cover on its landfills upon closure and perform certain maintenance and monitoring functions at the sites for 30 years after final closure. Closure and post closure costs will be paid only near or after the date the landfills stop accepting waste. The County is not required by TCEQ regulations to make annual contributions to a trust to finance closure and post closure care at this time. Upon final determination by TCEQ, the County will provide for the obligation. No closure or post closure costs are reported in the County's financial statements as they are presented in accordance with the modified cash basis method of accounting. At September 30, 2020, estimated unrecorded liabilities for landfill closure and post closure costs totaled \$729,733. No funds have been provided for these future costs.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency (EPA) Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. The regulations require that financial assurance to perform closure, post-closure, and corrective activities for landfill operations be provided.

The County has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component, and a record keeping and reporting component.

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, post-closure, or corrective action required by EPA Subtitle D regulations for landfills operated by local governments requires the following disclosures to be made:

1. The specific facilities covered are the Hudspeth County Landfill (Dell City), Permit No. 495 and Hudspeth County Landfill (Sierra Blanca), Permit No. 957A.
2. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding estimates. The original estimates are adjusted for inflation.

	<u>Original Estimate</u>	<u>Adjusted for Inflation</u>
Permit No. 495		
Closure Costs	\$ 62,526	\$ 87,297
Post-Closure Costs	<u>61,813</u>	<u>86,300</u>
Total	<u><u>\$ 124,339</u></u>	<u><u>\$ 173,597</u></u>
Permit No. 957A		
Closure Costs	\$ 61,073	\$ 85,265
Post-Closure Costs	<u>337,260</u>	<u>470,870</u>
Total	<u><u>\$ 398,333</u></u>	<u><u>\$ 556,135</u></u>

3. The anticipated year of closure for Permit 495 is 2036 with closure costs having been fully spent by that time. It is anticipated that post-closure costs will be spent evenly across the 30-year post-closure monitoring period at \$2,877 per year.
4. The anticipated year of closure for Permit 957A is 2077 with closure costs having been fully spent by that time. It is anticipated that post-closure costs will be spent evenly across the 30-year post-closure monitoring period at \$15,696 per year.

NOTE 11: OTHER COMMITMENTS AND CONTINGENCIES

Grants

The County has received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could result in the General Fund or other applicable funds reimbursing the funds back to the granting agency. However, in the opinion of management, reimbursements resulting from disallowed claims, if any, will not have a material adverse effect on the County's financial position at September 30, 2020.

Litigation

In the normal course of providing services to the public, the County from time to time is subjected to litigation claims. The County defends itself against such claims based on the internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when paid. No liabilities have been accrued in the modified cash basis financial statements relative to litigation in process.

NOTE 12: RELATED PARTY TRANSACTIONS

In 2002, the County approved and assisted in the organization of the West Texas Detention Facility Corporation, which in 2003 issued revenue bonds in the amount of \$23,480,000 for the purpose of funding construction and start-up of a detention facility located in Sierra Blanca, Texas. The facility was constructed and currently leased to *LaSalle Southwest Corrections*. In accordance with the bond issuance agreement, the project revenues are the only source of funds to pay schedule bond principle and interest requirements. The County is not obligated to pay rental payments or provide any financial resources to the Corporation.

The County also entered into an operating agreement with LaSalle. Among other things, the County agreed to assist in monitoring ongoing operations and provide ongoing political support for the project. The County received fee income of \$871,223 from LaSalle for the year ended September 30, 2020.

NOTE 13: SUBSEQUENT EVENTS

The County has evaluated subsequent events through December 14, 2021.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

The County had a prior period adjustment of \$14,005 in the Operation Lone Star HIDTA Fund. This adjustment was needed because the fund was closed during the year.

REQUIRED SUPPLEMENTARY INFORMATION

HUDSPETH COUNTY, TX
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability			
Service Cost	\$ 309,013	\$ 274,185	\$ 242,351
Interest (on the Total Pension Liability)	623,346	588,401	519,100
Changes of Benefit Terms	-	-	416,325
Difference between Expected and Actual Experience	99,460	(130,919)	(99,504)
Changes of Assumptions	-	-	40,740
Benefit Payments, Including Refunds of Employee Contributions	(373,266)	(298,341)	(292,324)
Net Change in Total Pension Liability	\$ 658,553	\$ 433,326	\$ 826,688
Total Pension Liability - Beginning	7,569,616	7,136,290	6,309,602
Total Pension Liability - Ending	\$ 8,228,169	\$ 7,569,616	\$ 7,136,290
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 169,301	\$ 152,180	\$ 144,478
Contributions - Employee	237,022	206,844	144,478
Net Investment Income	1,233,288	(140,792)	968,278
Benefit Payments, Including Refunds of Employee Contributions	(373,266)	(298,341)	(292,324)
Administrative Expense	(6,685)	(6,032)	(5,050)
Other	2,354	2,571	(93)
Net Change in Plan Fiduciary Net Position	\$ 1,262,014	\$ (83,570)	\$ 959,767
Plan Fiduciary Net Position - Beginning	7,510,181	7,593,751	6,633,986
Plan Fiduciary Net Position - Ending	\$ 8,772,195	\$ 7,510,181	\$ 7,593,753
C. Net Pension Liability (Asset)	\$ (544,026)	\$ 59,435	\$ (457,463)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.61%	99.21%	106.41%
E. Covered Payroll	\$ 3,386,022	\$ 2,954,915	\$ 2,889,564
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(16.07%)	2.01%	(15.83%)

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	248,888	\$	227,558	\$	214,629
	488,877		458,076		423,479
	-		(34,957)		-
	(192,952)		(49,585)		50,717
	-		58,626		-
	(291,749)		(265,387)		(293,346)
\$	253,064	\$	394,331	\$	395,479
	6,056,538		5,662,207		5,266,728
\$	6,309,602	\$	6,056,538	\$	5,662,207
\$	141,796	\$	137,800	\$	130,897
	141,796		140,409		130,897
	465,763		(56,782)		398,439
	(291,749)		(265,387)		(293,346)
	(5,063)		(4,548)		(4,742)
	(116,025)		(965)		19,434
\$	336,518	\$	(49,473)	\$	381,579
	6,297,468		6,346,941		5,965,362
\$	6,633,986	\$	6,297,468	\$	6,346,941
\$	(324,384)	\$	(240,930)	\$	(684,734)
	105.14%		103.98%		112.09%
\$	2,835,929	\$	2,755,998	\$	2,617,938
	(11.44%)		(8.74%)		(26.16%)

HUDSPETH COUNTY, TX
 SCHEDULE OF CONTRIBUTIONS
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
 FOR THE FISCAL YEAR 2020

	2020	2019	2018
Actuarially Determined Contribution	\$ 146,953	\$ 142,427	\$ 90,443
Contributions in Relation to the Actuarially Determined Contributions	169,301	152,180	144,478
Contribution Deficiency (Excess)	\$ (22,348)	\$ (9,753)	\$ (54,035)
Covered Employee Payroll	\$ 3,386,022	\$ 2,954,915	\$ 2,889,564
Contributions as a Percentage of Covered Employee Payroll	5.00%	5.20%	5.00%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2017	2016	2015	2014	2013	2012	2011
\$	92,168	\$ 95,358	\$ 99,743	\$ 94,569	\$ 94,259	\$ 96,268	108,199
	141,796	137,800	130,897	119,104	115,231	122,167	135,587
\$	(49,628)	\$ (42,442)	\$ (31,154)	\$ (24,535)	\$ (20,972)	\$ (25,899)	(27,388)
\$	2,835,929	\$ 2,755,998	\$ 2,617,938	\$ 2,382,082	\$ 2,304,627	\$ 2,443,348	2,711,747
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

COMBINING STATEMENTS

HUDSPETH COUNTY, TX
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

Data Control Codes	200 Records Preservation Fund	201 Indigent Defense Fund	202 Jail Medical Fund	203 Estray Fund	
CASH ASSETS					
1010	Cash and Cash Equivalents	\$ 193,349	\$ 779	\$ -	\$ 11
1030	Investments - Current	-	-	-	-
1300	Due from Other Funds	-	3,657	-	-
1000	Total Cash Assets	<u>\$ 193,349</u>	<u>\$ 4,436</u>	<u>\$ -</u>	<u>\$ 11</u>
LIABILITIES					
2080	Due to Other Funds	\$ -	\$ -	\$ 20,484	\$ -
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>20,484</u>	<u>-</u>
Cash Basis Fund Balances:					
3490	Other Restricted Fund Balance	193,349	4,436	-	11
3590	Other Assigned Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	-	-	(20,484)	-
3000	Total Cash Basis Fund Balances	<u>\$ 193,349</u>	<u>\$ 4,436</u>	<u>\$ (20,484)</u>	<u>\$ 11</u>

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

204 Border Colonia Access Prog	205 State 421 Operation Linebacker	208 Justice Court Technology Fund	209 Indigent Health Care Fund	210 Abandoned Vehicle Fund	211 Sheriff's Storage Fund	212 Linebacker Fund	213 Dell Valley Flood Control
\$ -	\$ -	\$ 82,321	\$ 852,108	\$ 2,136	\$ 119,866	\$ -	\$ 718
-	-	-	-	-	-	-	3,237
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,321</u>	<u>\$ 852,108</u>	<u>\$ 2,136</u>	<u>\$ 119,866</u>	<u>\$ -</u>	<u>\$ 3,955</u>
\$ 5,000	\$ 34,000	\$ 205	\$ -	\$ -	\$ -	\$ 16,500	\$ -
<u>5,000</u>	<u>34,000</u>	<u>205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>-</u>
-	-	82,116	-	2,136	-	-	-
-	-	-	852,108	-	119,866	-	3,955
(5,000)	(34,000)	-	-	-	-	(16,500)	-
<u>\$ (5,000)</u>	<u>\$ (34,000)</u>	<u>\$ 82,116</u>	<u>\$ 852,108</u>	<u>\$ 2,136</u>	<u>\$ 119,866</u>	<u>\$ (16,500)</u>	<u>\$ 3,955</u>

HUDSPETH COUNTY, TX
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

Data Control Codes	214 Sheriff's Toy Drive Fund	215 Medical Clinic Fund	216 Homeland Security Fund	217 HIDTA Forfeiture Fund
CASH ASSETS				
1010 Cash and Cash Equivalents	\$ 8,956	\$ 6,856	\$ 15,033	\$ -
1030 Investments - Current	-	-	-	-
1300 Due from Other Funds	-	-	-	-
1000 Total Cash Assets	<u>\$ 8,956</u>	<u>\$ 6,856</u>	<u>\$ 15,033</u>	<u>\$ -</u>
LIABILITIES				
2080 Due to Other Funds	\$ -	\$ -	\$ -	\$ -
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances:				
3290 Other Restricted Fund Balance	\$ 8,956	\$ -	\$ 15,033	\$ -
3590 Other Assigned Fund Balance	-	6,856	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Cash Basis Fund Balances	<u>\$ 8,956</u>	<u>\$ 6,856</u>	<u>\$ 15,033</u>	<u>\$ -</u>

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

218 High Intensit Drug Traffick Area (HIDTA)	220 Dist Clerk E-File Fund	223 Retiree Health Ins Fund	225 West Texas School Fund	226 Hotel/Motel Fund	227 Operation Border Star Fund	228 SI Operation Lone Star HIDTA Fund	229 TxCDBG #7217210 Fund
\$ -	\$ 26,822	\$ 1,963	\$ 78,135	\$ 44,908	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 26,822</u>	<u>\$ 1,963</u>	<u>\$ 78,135</u>	<u>\$ 44,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 26,822	\$ -	\$ 78,135	\$ 44,908	\$ -	\$ -	\$ -
-	-	1,963	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 26,822</u>	<u>\$ 1,963</u>	<u>\$ 78,135</u>	<u>\$ 44,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HUDSPETH COUNTY, TX
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

Data Control Codes	230 TxCDBG #7218035 Fund	231 Operation Lone Star HIDTA	232 Bi-Operating Lone Star HIDTA	233 HCSO Interoperable Comm Project
CASH ASSETS				
1010 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1030 Investments - Current	-	-	-	-
1300 Due from Other Funds	-	-	-	-
1000 Total Cash Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2080 Due to Other Funds	\$ -	\$ -	\$ -	\$ -
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances:				
3290 Other Restricted Fund Balance	\$ -	\$ -	\$ -	\$ -
3590 Other Assigned Fund Balance	-	-	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Cash Basis Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

234 Rifle Resistant Body Armour	235 Lone Star HIDTA Account	236 TxCDBG #7217025 Fund	237 TxCDBG #7219510 Fund	238 LaSalle Facility/ School Fund	Total Nonmajor Governmental Funds
\$ -	\$ 100	\$ -	\$ 100	\$ 100	\$ 1,434,261
-	-	-	-	-	3,237
-	-	-	-	-	3,657
<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 1,441,155</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,189
-	-	-	-	-	76,189
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,902
-	100	-	100	100	985,048
-	-	-	-	-	(75,984)
<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 1,364,966</u>

HUDSPETH COUNTY, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Data Control Codes	200 Records Preservation Fund	201 Indigent Defense Fund	202 Jail Medical Fund	203 Estray Fund
RECEIPTS:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	53,740	-	-	1,877
5510 Fines	-	-	-	-
5530 Seizure Proceeds	-	-	-	-
5610 Investment Earnings	4,826	-	-	-
5640 Contributions & Donations from Private Sources	-	-	-	-
5700 Other Revenue	-	-	-	-
5020 Total Receipts	<u>58,566</u>	<u>-</u>	<u>-</u>	<u>1,877</u>
DISBURSEMENTS:				
Current:				
General Government:				
0112 Courthouse	1,926	-	-	-
0113 County & District Clerk	66,024	-	-	-
0114 General Administration	-	-	-	2,906
0130 Judicial	-	6,354	-	-
0131 Justice of the Peace - Precinct 1	-	-	-	-
0132 Justice of the Peace - Precinct 2	-	-	-	-
0133 Justice of the Peace - Precinct 3	-	-	-	-
0134 Justice of the Peace - Precinct 4	-	-	-	-
0200 Public Safety	-	-	-	-
0300 Public Works	-	-	-	-
0400 Health and Welfare	-	-	-	-
Conservation and Development:				
0620 Community and Economic Development	-	-	-	-
6030 Total Disbursements	<u>67,950</u>	<u>6,354</u>	<u>-</u>	<u>2,906</u>
1100 Excess (Deficiency) of Receipts Over (Under) Expenditures	<u>(9,384)</u>	<u>(6,354)</u>	<u>-</u>	<u>(1,029)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Cash Basis Fund Balance	(9,384)	(6,354)	-	(1,029)
0100 Cash Basis Fund Balance - October 1	202,733	10,790	(20,484)	1,040
1300 Prior Period Adjustment	-	-	-	-
3000 Cash Basis Fund Balance - September 30 (Ending)	<u>\$ 193,349</u>	<u>\$ 4,436</u>	<u>\$ (20,484)</u>	<u>\$ 11</u>

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

204 Border Colonia Access Prog	205 State 421 Operation Linebacker	208 Justice Court Technology Fund	209 Indigent Health Care Fund	210 Abandoned Vehicle Fund	211 Sheriff's Storage Fund	212 Linebacker Fund	213 Dell Valley Flood Control
\$ -	\$ -	\$ -	\$ 329,330	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,290	-	-	-	-	-
-	-	-	-	-	95,552	-	-
-	-	-	-	156,458	-	-	-
-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,290	329,330	156,458	95,552	-	25
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,745	-	-	-	-	-
-	-	2,745	-	-	-	-	-
-	-	35	-	-	-	-	-
-	-	1,785	-	-	-	-	-
-	-	-	-	185,276	70,288	-	-
-	-	-	-	-	-	-	-
-	-	-	91,340	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,310	91,340	185,276	70,288	-	-
-	-	(2,020)	237,990	(28,818)	25,264	-	25
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(2,020)	237,990	(28,818)	25,264	-	25
(5,000)	(34,000)	84,136	614,118	30,954	94,602	(16,500)	3,930
-	-	-	-	-	-	-	-
\$ (5,000)	\$ (34,000)	\$ 82,116	\$ 852,108	\$ 2,136	\$ 119,866	\$ (16,500)	\$ 3,955

HUDSPETH COUNTY, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Data Control Codes	214 Sheriff's Toy Drive Fund	215 Medical Clinic Fund	216 Homeland Security Fund	217 HIDTA Forfeiture Fund
RECEIPTS:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	-	-	-	-
5510 Fines	-	-	-	-
5530 Seizure Proceeds	-	-	-	-
5610 Investment Earnings	-	-	79	-
5640 Contributions & Donations from Private Sources	8,833	-	-	-
5700 Other Revenue	-	-	-	-
5020 Total Receipts	<u>8,833</u>	<u>-</u>	<u>79</u>	<u>-</u>
DISBURSEMENTS:				
Current:				
General Government:				
0112 Courthouse	-	-	-	-
0113 County & District Clerk	-	-	-	-
0114 General Administration	-	-	-	-
0130 Judicial	-	-	-	-
0131 Justice of the Peace - Precinct 1	-	-	-	-
0132 Justice of the Peace - Precinct 2	-	-	-	-
0133 Justice of the Peace - Precinct 3	-	-	-	-
0134 Justice of the Peace - Precinct 4	-	-	-	-
0200 Public Safety	-	-	-	-
0300 Public Works	-	-	-	-
0400 Health and Welfare	-	-	-	-
Conservation and Development:				
0620 Community and Economic Development	9,500	-	-	-
6030 Total Disbursements	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
1100 Excess (Deficiency) of Receipts Over (Under) Expenditures	<u>(667)</u>	<u>-</u>	<u>79</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	(10,788)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,788)</u>
1200 Net Change in Cash Basis Fund Balance	(667)	-	79	(10,788)
0100 Cash Basis Fund Balance - October 1	9,623	6,856	14,954	10,788
1300 Prior Period Adjustment	-	-	-	-
3000 Cash Basis Fund Balance - September 30 (Ending)	<u>\$ 8,956</u>	<u>\$ 6,856</u>	<u>\$ 15,033</u>	<u>\$ -</u>

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

218 High Intensit Drug Traffick Area (HIDTA)	220 Dist Clerk E-File Fund	223 Retiree Health Ins Fund	225 West Texas School Fund	226 Hotel/Motel Fund	227 Operation Border Star Fund	228 SI Operation Lone Star HIDTA Fund	229 TxCDBG #7217210 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	6,575	-	-	-
-	-	-	6,949	-	-	-	3,025
-	13,855	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	23,537	-	-	-	-	-
-	13,855	23,537	6,949	6,575	-	-	3,025
-	-	-	-	-	-	-	-
-	3,914	-	-	-	-	-	-
-	-	24,654	40,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,025
-	-	-	-	-	-	-	-
-	3,914	24,654	40,000	-	-	-	3,025
-	9,941	(1,117)	(33,051)	6,575	-	-	-
-	-	1,550	-	-	-	100	-
(14,460)	-	-	-	-	(1,099)	(100)	-
(14,460)	-	1,550	-	-	(1,099)	-	-
(14,460)	9,941	433	(33,051)	6,575	(1,099)	-	-
14,460	16,881	1,530	111,186	38,333	1,099	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 26,822	\$ 1,963	\$ 78,135	\$ 44,908	\$ -	\$ -	\$ -

HUDSPETH COUNTY, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Data Control Codes	230 TxCDBG #7218035 Fund	231 Operation Lone Star HIDTA	232 Bi-Operating Lone Star HIDTA	233 HCSO Interoperable Comm Project
RECEIPTS:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	-	-	-	-
5300 Intergovernmental Revenue and Grants	412,687	3,156	45,206	49,008
5400 Charges for Services	-	-	-	-
5510 Fines	-	-	-	-
5530 Seizure Proceeds	-	-	-	-
5610 Investment Earnings	-	-	-	-
5640 Contributions & Donations from Private Sources	-	-	-	-
5700 Other Revenue	-	-	-	-
5020 Total Receipts	<u>412,687</u>	<u>3,156</u>	<u>45,206</u>	<u>49,008</u>
DISBURSEMENTS:				
Current:				
General Government:				
0112 Courthouse	-	-	-	-
0113 County & District Clerk	-	-	-	-
0114 General Administration	-	-	-	-
0130 Judicial	-	-	-	-
0131 Justice of the Peace - Precinct 1	-	-	-	-
0132 Justice of the Peace - Precinct 2	-	-	-	-
0133 Justice of the Peace - Precinct 3	-	-	-	-
0134 Justice of the Peace - Precinct 4	-	-	-	-
0200 Public Safety	-	-	45,206	49,008
0300 Public Works	412,687	-	-	-
0400 Health and Welfare	-	-	-	-
Conservation and Development:				
0620 Community and Economic Development	-	-	-	-
6030 Total Disbursements	<u>412,687</u>	<u>-</u>	<u>45,206</u>	<u>49,008</u>
1100 Excess (Deficiency) of Receipts Over (Under) Expenditures	<u>-</u>	<u>3,156</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	100
8911 Transfers Out (Use)	<u>(222)</u>	<u>(3,256)</u>	<u>-</u>	<u>(100)</u>
7080 Total Other Financing Sources (Uses)	<u>(222)</u>	<u>(3,256)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Cash Basis Fund Balance	(222)	(100)	-	-
0100 Cash Basis Fund Balance - October 1	222	(13,905)	-	-
1300 Prior Period Adjustment	-	14,005	-	-
3000 Cash Basis Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

234 Rifle Resistant Body Armour	235 Lone Star HIDTA Account	236 TxCDBG #7217025 Fund	237 TxCDBG #7219510 Fund	238 LaSalle Facility/ School Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 329,330
-	-	-	-	-	6,575
12,350	44,520	50,250	-	61,838	688,989
-	-	-	-	-	74,762
-	-	-	-	-	95,552
-	-	-	-	-	156,458
-	-	-	-	-	4,930
-	-	-	-	-	8,833
-	-	-	-	-	23,537
<u>12,350</u>	<u>44,520</u>	<u>50,250</u>	<u>-</u>	<u>61,838</u>	<u>1,388,966</u>
-	-	-	-	-	1,926
-	-	-	-	-	69,938
-	-	-	-	-	67,560
-	-	-	-	-	6,354
-	-	-	-	-	2,745
-	-	-	-	-	2,745
-	-	-	-	-	35
-	-	-	-	-	1,785
12,350	44,520	-	-	61,738	468,386
-	-	50,250	-	-	465,962
-	-	-	-	-	91,340
-	-	-	-	-	9,500
<u>12,350</u>	<u>44,520</u>	<u>50,250</u>	<u>-</u>	<u>61,738</u>	<u>1,188,276</u>
-	-	-	-	100	200,690
-	100	-	100	-	1,950
-	-	-	-	-	(30,025)
-	<u>100</u>	-	<u>100</u>	-	<u>(28,075)</u>
-	100	-	100	100	172,615
-	-	-	-	-	1,178,346
-	-	-	-	-	14,005
<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 1,364,966</u>

FEDERAL AWARDS SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Honorable Joanna Mackenzie and
Members of the Commissioners' Court of
Hudspeth 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 Hudspeth County, Texas (the "County"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 5, 2023.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 County'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 significant deficiencies to be material weaknesses - **2020-001** and **2020-002**.

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. We consider the deficiencies described in the accompanying schedule of findings to be a significant deficiency - **2020-004**, **2020-005** and **2020-006**.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the administration of the County in a separate letter dated May 5, 2023.

Response to Findings

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Smith & Rives, PC
Monahans, Texas
May 5, 2023

**HUDSPETH COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Adverse

Internal control over financial reporting:

One or more material weaknesses identified. X Yes ___ No

One or more significant deficiencies identified.
that are not considered to be material weaknesses? X Yes ___ None Reported

Noncompliance material to financial
Statements noted? ___ Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified. ___ Yes X No

One or more significant deficiencies identified.
that are not considered to be material weaknesses? ___ Yes X None Reported

Type of auditor's report issued on compliance for
major programs: Not Applicable

Any audit findings disclosed that are required to be.
reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
No Major Programs. The County was not subject to the Single Audit.	

Dollar Threshold used to Distinguish between
Type A and Type B Programs \$750,000

Auditee qualified as low risk auditee? ___ Yes X No

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Auditing Standards.

2020-001 - Material Weakness - Bank Reconciliation Procedures

Criteria: Part of the internal control process is the reconciliation of accounts, especially cash accounts. Timely reconciliation of cash accounts ensures that invalid and/or unrecorded transactions are identified and corrected.

Condition Found: Pooled cash accounts were not reconciled. There were unreconciled differences in the cash reconciliation reports.

Effect: There are unrecorded transactions and/or invalid transactions in the financial statements. Accounting information becomes less reliable, and the financial statements are misstated.

Cause: It appears that the County Treasurer's office does not have an understanding of pooled cash and governmental fund accounting.

Recommendation: We recommend the County Treasurer's office receive training and knowledge of governmental fund accounting and that a County Official monitor the reconciliation process each month.

View of Responsible Official: See corrective action plan.

2020-002 - Material Weakness - Year and Month End Closing Procedures and Accounting for Fund Transfers

Criteria: A certain level of accounting skill and knowledge is necessary to ensure the fair presentation of financial statements for a governmental entity.

Condition Found: The following funds were not in balance due to unrecorded and/or invalid transfers between funds: General Fund; Road & Bridge Fund; Solid Waste Management Fund; Jail Fund; Records Preservation Fund; Justice Court Technology Fund; Abandoned Vehicle Fund; and the Lone Star/HIDTA Fund.

Effect: The County's year and month end closing procedures did not result in verification and resolution of balancing funds and transfers.

Cause: It appears that the County Treasurer's office does not have an understanding of governmental fund accounting.

Recommendation: We recommend the County Treasurer's office receive training and knowledge of governmental fund accounting and that a County Official monitor the reconciliation of transfers each month.

View of Responsible Official: See corrective action plan.

2020-003 - Significant Deficiency - Restricted Funds Accounting

Criteria: In governmental fund accounting there are funds known as special revenue funds. Special revenue funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose.

Condition Found: In the General Fund, there were recorded revenues for West Texas Schools and Hotel Motel Taxes. These belong in their respective special revenue funds.

Effect: Failure to properly segregate financial activities of special revenue funds subject the County to greater risk of violation of laws and fiduciary responsibility.

Cause: It appears that the County Treasurer's office does not review the general ledger and/or trial balance to find mistakes as these mentioned.

Recommendation: We recommend the County Treasurer's office receive training and knowledge of governmental fund accounting and that a County Official monitor the progress of this process.

View of Responsible Official: See corrective action plan.

2020-004 - Significant Deficiency - Monitoring and Reporting of Off-Balance Sheet

Criteria: In presentations of governmental financial statements, note disclosures are required to help clarify or provide additional information for readers of the financial statements.

Condition Found: In review of the prior year audit report, it was found that County has not updated its estimates of employee post-retirement healthcare benefits nor accrued vacation and sick leave since 2016. Request for a GASB 75 report was not answered. The County Treasurer's Office only keeps up with the hours for vacation and sick leave from year to year and does not provide a dollar estimate for those hours.

Effect: Such estimates are considered relevant for disclosure purposes to enable the reader of the financial statement to evaluate differences in the County's reporting using the modified cash basis of accounting versus generally accepted accounting principles.

Cause: It does not appear that the County knew this.

Recommendations: We recommend that the County take training to understand the financial statement reporting process and have a system in place to provide the necessary information for financial statement disclosures.

View of Responsible Official: See corrective action plan.

2020-005 - Significant Deficiency - Budget Administration

Criteria: Texas Local Government Code 111.010(b) requires that County funds be spent only in strict compliance with the budget, except in an emergency. Section 111.092 also requires the County Auditor to oversee the warrant process to ensure that the expenses of any department do not exceed the budget appropriations for that department.

Condition Found: As reported in Exhibit C-5, General Fund expenditures exceeded appropriations by \$72,702 and transfers exceeded the budget by \$28,075.

Effect: These expenditures and transfers were made without proper legal authorization.

Cause: The County did not budget adequately for the following intra-fund accounts; (1) capital expenditures and miscellaneous operating costs in the Sheriff's department unremitted fund; (2) inmate medical costs in the Jail Fund; and (3) health & life insurance premiums in the Insurance Fund.

Recommendation: County personnel will more closely monitor the budget of each fund throughout the year and alert the Commissioners' Court when a budget amendment may be needed before exceeding that fund's budget.

III. Findings and Questioned Costs for Federal Awards.

No Findings

**HUDSPETH COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(Prepared by the County's Administration)

Reference Number: 2019-1 - Bank Reconciliation Procedures

Status: This is a repeat finding for FYE 09-30-2020.

Reference Number 2019-2 - Month End Closing Procedures and Accounting for Fund

Status: This is a repeat finding for FYE 09-30-2020.

Reference Number 2019-3 - Unrecorded Bank Financial Transactions

Status: There were no new capital leases or loans for FYE 09/30/2020.

Reference Number 2019-4 - Fiduciary Responsibility Bond Funds Custody Accounts

Status: Unknown.

Reference Number 2019-5 - Payroll Reporting & Compliance

Status: Unknown.

Reference Number 2019-6 - Restricted Funds Accounting

Status: This is a repeat finding for FYE 09-30-2020.

Reference Number 2019-7 - Monitoring and Reporting of Off-Balance Sheet Obligations

Status: This is a repeat finding for FYE 09-30-2020.

Reference Number 2018-1 - Budget Administration

Status: This is a repeat finding for FYE 09-30-2020.

**HUDSPETH COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(Prepared by the County's Administration)

For the following corrective action plan, the contact persons are Joanna MacKenzie, County Judge, and Yolanda Esparza, County Auditor.

2020-001 Bank Reconciliation Procedures

Action Planned: The County Treasurer's office will receive continuing education and guidance to learn governmental fund accounting and to learn how to reconcile pooled cash. A County Official will monitor the pooled cash reconciliations each month.

Anticipated Completion Date: September 30, 2023

2020-002 Year and Month End Closing Procedures and Accounting for Fund Transfers

Action Planned: The County Treasurer's office will receive continuing education on governmental fund accounting. A County Official will monitor the reconciliation of transfers each month.

Anticipated Completion Date: September 30, 2023

2020-003 Restricted Funds Accounting

Action Planned: The County Treasurer's office will receive continuing education on governmental fund accounting. A County Official will monitor the progress of this process.

Anticipated Completion Date: September 30, 2023

2020-004 Monitoring and Reporting of Off-Balance Sheet

Action Planned: The County Treasurer's office will receive continuing education to understand the financial statement reporting process and have a system in place to provide the necessary information for financial statement disclosures.

Anticipated Completion Date: September 30, 2023

2020-005 Budget Administration

Action Planned: County personnel will more closely monitor the budget of each fund throughout the year and alert the Commissioner's Court when a budget amendment may be needed before exceeding that fund's budget.

Anticipated Completion Date: September 30, 2023