

COUNTY OF GLASSCOCK
 Annual Financial Report
 Year Ended September 30, 2020

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FINANCIAL SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Glasscock
P.O. Box 67
Garden City, TX 79739-0067

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, 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 of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of September 30, 2020, the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the notes to 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

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and total OPEB liability information for the Texas County & District Retirement System on pages 3 through 7, 39, and 40 through 44, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Glasscock's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular of the Uniform Grant Management Standards and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is 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 February 5, 2021, on our consideration of the County of Glasscock'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 the effectiveness of the County of Glasscock's 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 of Glasscock's internal control over financial reporting and compliance.

Eckert & Company, LLP

February 5, 2021



Kim Halfmann
Glasscock County Judge

Pct. 1 Commissioner Charles Gully
Pct. 3 Commissioner Brian Frerich

Pct. 2 Commissioner Mark Halfmann
Pct. 4 Commissioner John Seidenberger

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Glasscock's financial performance provides an overview of the County's financial activities for the year ended September 30, 2020, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$59,994,681 (net position). Of this amount, \$38,689,758 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$9,208,167 or 18% from current year operations. The County's statement of activities shows total revenues of \$15,240,093 and total expenses of \$6,031,926.

The total fund balance of the General Fund is \$38,395,468 which is an increase of \$6,511,512 or 20% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. Business-type activities consist of a water system.

The County has no component units.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund which is a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water system.

Fiduciary Funds - Fiduciary funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. The County's fiduciary funds are agency funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 39,169,655	\$ 32,641,842	\$ 283,557	\$ 234,622	\$ 39,453,212	\$ 32,876,464
Capital Assets	19,759,182	17,119,598	813,895	857,322	20,573,077	17,976,920
Total Assets	\$ 58,928,837	\$ 49,761,440	\$ 1,097,452	\$ 1,091,944	\$ 60,026,289	\$ 50,853,384
Liabilities	\$ 31,608	\$ 66,870	\$ 0	\$ 0	\$ 31,608	\$ 66,870
Net Position						
Net Investment in Capital Assets	\$ 19,759,182	\$ 17,119,598	\$ 813,895	\$ 857,322	\$ 20,573,077	\$ 17,976,920
Restricted	731,846	683,214	0	0	731,846	683,214
Unrestricted	38,406,201	31,891,758	283,557	234,622	38,689,758	32,126,380
Total Net Position	\$ 58,897,229	\$ 49,694,570	\$ 1,097,452	\$ 1,091,944	\$ 59,994,681	\$ 50,786,514

A large portion of the County's net position resulting from modified cash basis transactions (\$20,573,077) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the City's net position (\$731,846) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$38,689,758) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$9,202,659 and \$5,094,009 for the fiscal years ended September 30, 2020 and 2019, respectively. Business-type activities increased the County's net position by \$5,508 and decreased the County's net position by \$19,052 for the fiscal years ended September 30, 2020 and 2019, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
			Year Ended September 30,			
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 917,119	\$ 1,144,404	\$ 122,137	\$ 106,908	\$ 1,039,256	\$ 1,251,312
Operating and Capital Grants	2,295,200	39,831	0	0	2,295,200	39,831
General Revenues						
Maintenance and Operations Taxes	11,414,137	11,673,235	0	0	11,414,137	11,673,235
Investment Earnings	388,223	751,696	2,084	4,887	390,307	756,583
Other	95,193	39,771	6,000	6,000	101,193	45,771
Total Revenues	\$ 15,109,872	\$ 13,648,937	\$ 130,221	\$ 117,795	\$ 15,240,093	\$ 13,766,732
Expenses						
General Government	\$ 2,257,423	\$ 2,292,062	\$ 0	\$ 0	\$ 2,257,423	\$ 2,292,062
Roads and Bridges	2,098,036	4,585,334	0	0	2,098,036	4,585,334
Justice System	329,857	290,736	0	0	329,857	290,736
Public Safety	906,325	1,005,253	0	0	906,325	1,005,253
Public Health and Welfare	115,071	128,217	0	0	115,071	128,217
Culture and Education	129,695	185,394	0	0	129,695	185,394
Community and Economic Development	70,806	67,932	0	0	70,806	67,932
Water	0	0	124,713	136,847	124,713	136,847
Total Expenses	\$ 5,907,213	\$ 8,554,928	\$ 124,713	\$ 136,847	\$ 6,031,926	\$ 8,691,775
Change in Net Position	\$ 9,202,659	\$ 5,094,009	\$ 5,508	\$ (19,052)	\$ 9,208,167	\$ 5,074,957
Net Position - Beginning	49,694,570	44,600,561	1,091,944	1,110,996	50,786,514	45,711,557
Net Position - Ending	\$ 58,897,229	\$ 49,694,570	\$ 1,097,452	\$ 1,091,944	\$ 59,994,681	\$ 50,786,514

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances of \$39,138,047, an increase of \$6,563,075 or 20% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$38,395,468. All of this balance is unassigned.

Special Revenue Funds \$742,579. Of these balances \$731,486 is restricted by legislation and \$10,733 is committed to special programs.

Proprietary Funds - The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The County's Enterprise Fund reported unrestricted net position of \$283,557, an increase of \$48,935 or 21% in comparison with the prior year.

General Fund Budget

The original and final amended budget for the General Fund was \$12,272,997. Variances between the original budget and the final amended budget are shown on page 39 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$12,397,425 for the fiscal year 2021, which is an increase of \$124,428 from the fiscal year 2020.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III. D. discloses the County's capital asset activity for the year ended September 30, 2020.

Long-Term Debt - The County had no long-term debt outstanding.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kim Halfmann, County Judge, County of Glasscock, P.O. Box 67, Garden City, TX 79739-0067.

Basic Financial Statements

COUNTY OF GLASSCOCK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 36,606,497	\$ 283,557	\$ 36,890,054
Investment - Municipal Bonds	230,442	-	230,442
Due from Other Governments	2,255,791	-	2,255,791
Due from Fiduciary Funds	76,925	-	76,925
Capital Assets			
Land	229,331	20,000	249,331
Infrastructure, Net	8,961,193	-	8,961,193
Buildings and Improvements, Net	8,691,169	-	8,691,169
Machinery and Equipment, Net	1,877,489	29,400	1,906,889
Water System, Net	-	764,495	764,495
Total Assets	\$ 58,928,837	\$ 1,097,452	\$ 60,026,289
LIABILITIES			
Collection Fees Payable	\$ 2,331	\$ -	\$ 2,331
Due to Other Governments	29,277	-	29,277
Total Liabilities	\$ 31,608	\$ -	\$ 31,608
NET POSITION			
Net Investment in Capital Assets	\$ 19,759,182	\$ 813,895	20,573,077
Restricted by Legislation	731,846	-	731,846
Unrestricted	38,406,201	283,557	38,689,758
Total Net Position	\$ 58,897,229	\$ 1,097,452	\$ 59,994,681

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

COUNTY OF GLASSCOCK
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government		
					Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 2,257,423	\$ 509,911	\$ 25,273	\$ -	\$ (1,722,239)	\$ -	\$ (1,722,239)
Roads and Bridges	2,098,036	169,970	10,079	2,255,791	337,804	-	337,804
Justice System	329,857	167,705	3,150	-	(159,002)	-	(159,002)
Public Safety	906,325	61,807	907	-	(843,611)	-	(843,611)
Culture and Education	115,071	-	-	-	(115,071)	-	(115,071)
Public Health and Welfare	129,695	-	-	-	(129,695)	-	(129,695)
Community and Economic Development	70,806	7,726	-	-	(63,080)	-	(63,080)
Total Governmental Activities	<u>\$ 5,907,213</u>	<u>\$ 917,119</u>	<u>\$ 39,409</u>	<u>\$ 2,255,791</u>	<u>\$ (2,694,894)</u>	<u>\$ -</u>	<u>\$ (2,694,894)</u>
Business-Type Activities							
Water System	<u>124,713</u>	<u>122,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,576)</u>	<u>(2,576)</u>
Total Primary Government	<u><u>\$ 6,031,926</u></u>	<u><u>\$ 1,039,256</u></u>	<u><u>\$ 39,409</u></u>	<u><u>\$ 2,255,791</u></u>	<u><u>\$ (2,694,894)</u></u>	<u><u>\$ (2,576)</u></u>	<u><u>\$ (2,697,470)</u></u>
General Revenues							
Taxes							
Property Taxes, Levied for General Purposes					\$ 11,414,137	\$ -	\$ 11,414,137
Investment Earnings					388,223	2,084	390,307
Other Revenue					<u>95,193</u>	<u>6,000</u>	<u>101,193</u>
Total General Revenues					<u>\$ 11,897,553</u>	<u>\$ 8,084</u>	<u>\$ 11,905,637</u>
Change in Net Position					\$ 9,202,659	\$ 5,508	\$ 9,208,167
Net Position - Beginning					<u>49,694,570</u>	<u>1,091,944</u>	<u>50,786,514</u>
Net Position - Ending					<u><u>\$ 58,897,229</u></u>	<u><u>\$ 1,097,452</u></u>	<u><u>\$ 59,994,681</u></u>

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

COUNTY OF GLASSCOCK
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 35,868,296	\$ 738,201	\$ 36,606,497
Investment - Municipal Bonds	230,442	-	230,442
Due from Other Funds	72,547	4,378	76,925
Due from Other Governments	<u>2,255,791</u>	<u>-</u>	<u>2,255,791</u>
Total Assets	<u><u>\$ 38,427,076</u></u>	<u><u>\$ 742,579</u></u>	<u><u>\$ 39,169,655</u></u>
LIABILITIES			
Collection Fees Payable	\$ 2,331	\$ -	\$ 2,331
Due to Other Governments	<u>29,277</u>	<u>-</u>	<u>29,277</u>
Total Liabilities	<u><u>\$ 31,608</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,608</u></u>
FUND BALANCES			
Restricted Fund Balance			
Restricted by Legislation	\$ -	\$ 731,846	\$ 731,846
Committed Fund Balance			
Special Revenue Funds	-	10,733	10,733
Unassigned Fund Balance	<u>38,395,468</u>	<u>-</u>	<u>38,395,468</u>
Total Fund Balances	<u><u>\$ 38,395,468</u></u>	<u><u>\$ 742,579</u></u>	<u><u>\$ 39,138,047</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 38,427,076</u></u>	<u><u>\$ 742,579</u></u>	<u><u>\$ 39,169,655</u></u>

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

COUNTY OF GLASSCOCK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$ 39,138,047
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds financial statements. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	17,119,598
Current year capital outlays are expenditures in the governmental funds financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	3,755,532
Depreciation is not recognized as an expense in the governmental funds financial statements since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(1,115,948)</u>
Net Position of Governmental Activities	<u>\$ 58,897,229</u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 11,414,137	\$ -	\$ 11,414,137
Fees	678,099	94,493	772,592
Fines	144,527	-	144,527
Intergovernmental	2,294,293	907	2,295,200
Investment Earnings	383,286	4,937	388,223
Other Revenue	<u>94,693</u>	<u>500</u>	<u>95,193</u>
Total Revenues	<u>\$ 15,009,035</u>	<u>\$ 100,837</u>	<u>\$ 15,109,872</u>
EXPENDITURES			
Current			
General Government	\$ 2,022,070	\$ 2,244	\$ 2,024,314
Roads and Bridges	4,626,195	-	4,626,195
Justice System	296,618	33,239	329,857
Public Safety	913,923	13,791	927,714
Culture and Education	118,653	-	118,653
Public Health and Welfare	128,881	-	128,881
Community and Economic Development	<u>391,183</u>	<u>-</u>	<u>391,183</u>
Total Expenditures	<u>\$ 8,497,523</u>	<u>\$ 49,274</u>	<u>\$ 8,546,797</u>
Net Change in Fund Balances	\$ 6,511,512	\$ 51,563	\$ 6,563,075
Fund Balances - Beginning	<u>31,883,956</u>	<u>691,016</u>	<u>32,574,972</u>
Fund Balances - Ending	<u><u>\$ 38,395,468</u></u>	<u><u>\$ 742,579</u></u>	<u><u>\$ 39,138,047</u></u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 6,563,075
Current year capital outlays are expenditures in the governmental funds financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	3,755,532
Depreciation is not recognized as an expense in the governmental funds financial statements since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(1,115,948)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,202,659</u></u>

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

COUNTY OF GLASSCOCK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities
	Water System Enterprise Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 283,557
Noncurrent Assets	
Capital Assets	
Land	\$ 20,000
Machinery and Equipment	29,400
Water System	1,661,235
Accumulated Depreciation	(896,740)
Total Noncurrent Assets	\$ 813,895
Total Assets	\$ 1,097,452
LIABILITIES	
Current Liabilities	
None	\$ -
NET POSITION	
Net Investment in Capital Assets	\$ 813,895
Unrestricted	283,557
Total Net Position	\$ 1,097,452

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

COUNTY OF GLASSCOCK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Business-Type Activities</u>
	<u>Water System Enterprise Fund</u>
OPERATING REVENUES	
Water Sales and Services	\$ 122,137
Other Charges	<u>6,000</u>
Total Operating Revenues	<u>\$ 128,137</u>
OPERATING EXPENSES	
Salaries and Benefits	\$ 43,558
Repair and Maintenance	13,978
Insurance	5,080
Other Operating Costs	8,949
Utilities	9,721
Depreciation	<u>43,427</u>
Total Operating Expenses	<u>\$ 124,713</u>
Operating Income	\$ 3,424
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	<u>2,084</u>
Change in Net Position	\$ 5,508
Total Net Position - Beginning	<u>1,091,944</u>
Total Net Position - Ending	<u><u>\$ 1,097,452</u></u>

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

COUNTY OF GLASSCOCK
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Business-Type Activities</u>
	<u>Water System Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from User Charges	\$ 122,137
Cash Received from Other Charges	6,000
Cash Payments to Employees for Services	(43,558)
Cash Payments for Other Operating Services	<u>(37,728)</u>
Net Cash Provided (Used) by Operating Activities	\$ 46,851
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	<u>2,084</u>
Net Increase in Cash and Cash Equivalents	\$ 48,935
Cash and Cash Equivalents - Beginning	<u>234,622</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 283,557</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	\$ 3,424
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	<u>43,427</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 46,851</u></u>

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 6,786,418</u>
LIABILITIES	
Due to Other Funds	\$ 76,925
Due to Others	<u>6,709,493</u>
Total Liabilities	<u>\$ 6,786,418</u>

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Glasscock, Texas, prepares its basic financial statements 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.

A. Reporting Entity

The County of Glasscock, Texas, was organized by an Act of the Texas Legislature in April 1893. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. The County also provides water utilities. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Measurement Focus and Basis of Accounting

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and the changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities of the proprietary funds are reported in the financial statements.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and the proprietary fund financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental fund:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

The government reports the following major proprietary fund:

Enterprise Fund - Water Fund - This Fund accounts for the operation of the water system.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and Cash Equivalents - Proprietary Funds

For purposes of the statement of cash flows for proprietary fund types, the County considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

E. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

F. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Machinery and Equipment	5-10
Water System	40

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest, but employees may accumulate up to 90 days of sick leave. Upon separation from service, employees are paid for any current vacation leave which has been earned but not used; however, unused sick leave is not paid.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Net Position on the Statement of Net Position - Continued

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted by Legislation.

I. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

J. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

K. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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 County 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.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2020, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

At September 30, 2020, the County’s investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
TexPool	\$ 21,856,968	73%	38 Days	AAAm
TexSTAR	7,737,710	26%	44 Days	AAAm
 <u>Investments</u>				
Municipal Bonds	<u>230,442</u>	<u>1%</u>	402 Days	AAA
Total	<u>\$ 29,825,120</u>	<u>100%</u>		

At September 30, 2020, the County had the following investments subject to the fair value measurement:

		<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investment by Fair Value Level</u>	<u>Fair Value</u>			
Debt Securities				
Municipal Bonds	<u>\$ 230,442</u>	<u>\$ 230,442</u>	<u>\$ -</u>	<u>\$ -</u>

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County’s investment in Pools is reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 72,547</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 4,378</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 72,547	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>4,378</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 76,925</u>	
Totals	<u>\$ 76,925</u>	<u>\$ 76,925</u>	

All amounts due are expected to be repaid within one year.

C. Due from Other Governments

The amount due from the State is as follows:

County Transportation Infrastructure Fund Grant	<u>\$ 2,255,791</u>
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COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 229,331	\$ 0	\$ 0	\$ 229,331
Historical Building	240,296	13,075	0	253,371
Total Capital Assets Not Being Depreciated	<u>\$ 469,627</u>	<u>\$ 13,075</u>	<u>\$ 0</u>	<u>\$ 482,702</u>
Capital Assets Being Depreciated				
Infrastructure	\$ 7,597,678	\$ 2,819,739	\$ 0	\$ 10,417,417
Buildings and Improvements	10,534,718	385,652	0	10,920,370
Machinery and Equipment	5,794,648	537,066	63,747	6,267,967
Total Capital Assets Being Depreciated	<u>\$ 23,927,044</u>	<u>\$ 3,742,457</u>	<u>\$ 63,747</u>	<u>\$ 27,605,754</u>
Total Capital Assets	<u>\$ 24,396,671</u>	<u>\$ 3,755,532</u>	<u>\$ 63,747</u>	<u>\$ 28,088,456</u>
Less Accumulated Depreciation				
Infrastructure	\$ (1,076,339)	\$ (379,885)	\$ 0	\$ (1,456,224)
Buildings and Improvements	(2,137,747)	(344,825)	0	(2,482,572)
Machinery and Equipment	(4,062,987)	(391,238)	(63,747)	(4,390,478)
Total Accumulated Depreciation	<u>\$ (7,277,073)</u>	<u>\$ (1,115,948)</u>	<u>\$ (63,747)</u>	<u>\$ (8,329,274)</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,119,598</u>	<u>\$ 2,639,584</u>	<u>\$ 0</u>	<u>\$ 19,759,182</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Capital Assets Being Depreciated				
System	\$ 1,661,235	\$ 0	\$ 0	\$ 1,661,235
Machinery and Equipment	29,400	0	0	29,400
Total Capital Assets Being Depreciated	<u>\$ 1,690,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,690,635</u>
Total Capital Assets	<u>\$ 1,710,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,710,635</u>
Less Accumulated Depreciation				
System	\$ (824,636)	\$ (42,704)	\$ 0	\$ (867,340)
Machinery and Equipment	(28,677)	(723)	0	(29,400)
Total Accumulated Depreciation	<u>\$ (853,313)</u>	<u>\$ (43,427)</u>	<u>\$ 0</u>	<u>\$ (896,740)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 857,322</u>	<u>\$ (43,427)</u>	<u>\$ 0</u>	<u>\$ 813,895</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 276,940
Roads and Bridges	580,880
Public Safety	220,766
Culture and Education	2,029
Public Health and Welfare	814
Community and Economic Development	34,519
Total Depreciation Expense - Governmental Activities	<u>\$ 1,115,948</u>
Business-Type Activities	
Water	<u>\$ 43,427</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Due to Other Governments

Amounts due to other governments are summarized as follows:

	General Fund
Due to State - Fees Collected	\$ 29,012
Due to State - Sales Taxes	265
Total	\$ 29,277

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate in both 2019 and 2020 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. The rate contributed for the months of the accounting year in 2019 was 10.63% and was 10.63% for the months of the accounting year in 2020. The County made an Optional Contribution of \$135,000 on December 19, 2019.

The deposit rate payable by the employee members for calendar year 2020 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2019 Summary Valuation Report for further details.

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of 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	4.90%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Long-Term Expected Rate of Return - 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 the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (Net) Index	2.50%	5.50%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	7.00%	5.20%
International Equities - Emerging Markets	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	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All 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	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability (Asset) - The following presents the increases (decreases) in net pension liability (asset):

<u>Changes in Net Pension Liability (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Fiduciary Net Position</u> (b)	<u>Net Pension Liability (Asset)</u> (a) - (b)
Balance as of December 31, 2018	\$ 9,308,734	\$ 8,956,349	\$ 352,385
Changes for the Year:			
Service Cost	\$ 309,960	\$ 0	\$ 309,960
Interest on Total Pension Liability	755,192	0	755,192
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	(50,247)	0	(50,247)
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(49,988)	(49,988)	0
Benefit Payments	(552,417)	(552,417)	0
Administrative Expenses	0	(7,843)	7,843
Member Contributions	0	135,898	(135,898)
Net Investment Income	0	1,470,938	(1,470,938)
Employer Contributions	0	341,444	(341,444)
Other	0	(2,847)	2,847
Net Changes	<u>\$ 412,500</u>	<u>\$ 1,335,185</u>	<u>\$ (922,685)</u>
Balance as of December 31, 2019	<u>\$ 9,721,234</u>	<u>\$ 10,291,534</u>	<u>\$ (570,300)</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 10,797,522	\$ 9,721,234	\$ 8,798,702
Fiduciary Net Position	<u>10,291,534</u>	<u>10,291,534</u>	<u>10,291,534</u>
Net Pension Liability (Asset)	<u>\$ 505,988</u>	<u>\$ (570,300)</u>	<u>\$ (1,492,832)</u>

Pension Expense (Income) - The following presents the components of pension expense (income):

<u>Pension Expense (Income)</u>	<u>January 1, 2019 to December 31, 2019</u>
Service Cost	\$ 309,960
Interest on Total Pension Liability	755,192
Effect of Plan Changes	0
Administrative Expenses	7,843
Member Contributions	(135,898)
Expected Investment Return Net of Investment Expenses	(720,073)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(2,641)
Recognition of Assumption Changes or Inputs	14,955
Recognition of Investment Gains or Losses	84,012
Other	<u>2,847</u>
Total Pension Expense (Income)	<u>\$ 316,197</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2020, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 43,793	\$ 68,722
Changes in Assumptions	29,910	-
Net Differences Between Projected and Actual Earnings	-	245,815
Contributions Made Subsequent to Measurement Date	157,904	-
Totals	\$ 231,607	\$ 314,537

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending September 30,	Pension Expense Amount
2020	\$ (44,705)
2021	(55,227)
2022	9,271
2023	(150,173)
2024	0
Thereafter	0

B. Other Postemployment Benefits (OPEB)

Plan Description - The County participates in the Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, 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, and are eligible for the TCDRS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

Benefits Provided - The plan provides a \$5,000 postretirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. The OPEB benefit is a fixed \$5,000 lump-sum benefit, and no future increases are assumed in the benefit amount.

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Employees Covered by Benefit Terms - At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	24
Inactive Employees Entitled to But Not Yet Receiving Benefits	10
Active Employers	<u>45</u>
Total	<u><u>79</u></u>

Total OPEB Liability - The County's total OPEB liability of \$142,646 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Investment Rate of Return (Discount Rate)	2.74%

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (Paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher municipal bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. At transition, GASB 75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the total OPEB liability as of December 31, 2018, using a discount rate of 4.1% as of December 31, 2018.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Mortality rates were based on the following criteria:

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.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2019, were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

Changes in Total OPEB Liability - The following presents the increases (decreases) in total OPEB liability:

Changes in Total OPEB Liability	
Balance as of December 31, 2018	<u>\$ 108,977</u>
Changes for the Year:	
Service Cost	\$ 3,802
Interest on Total OPEB Liability	4,545
Changes of Benefit Terms	0
Effect of Economic/Demographic Experience	2,391
Effect of Assumptions Changes or Inputs	26,814
Benefit Payments	(3,883)
Other	<u>0</u>
Net Changes	<u>\$ 33,669</u>
Balance as of December 31, 2019	<u><u>\$ 142,646</u></u>

Changes of assumptions or other inputs reflect a change in the discount rate from 4.1% in 2018 to 2.74% in 2019.

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Sensitivity Analysis - The following presents the total OPEB liability of the County, calculated using the discount rate of 2.74%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	<u>1% Decrease in Discount Rate (1.74%)</u>	<u>Current Discount Rate (2.74%)</u>	<u>1% Increase in Discount Rate (3.74%)</u>
Total OPEB Liability	<u>\$ 169,064</u>	<u>\$ 142,646</u>	<u>\$ 122,107</u>

OPEB Expense (Income) - The following presents the components of OPEB expense (income):

<u>OPEB Expense (Income)</u>	<u>January 1, 2019 to December 31, 2019</u>
Service Cost	\$ 3,802
Interest on Total OPEB Liability	4,545
Effect of Plan Changes	0
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	343
Recognition of Assumption Changes or Inputs	4,222
Other	<u>0</u>
Total OPEB Expense (Income)	<u>\$ 12,912</u>

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2020, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,913	\$ 509
Changes in Assumptions	23,489	7,281
Contributions Made Subsequent to Measurement Date	<u>7,725</u>	<u>-</u>
Totals	<u>\$ 33,127</u>	<u>\$ 7,790</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ 4,565
2021	4,565
2022	4,563
2023	3,919
2024	0
Thereafter	0

C. Postretirement Health Care Benefits

The County pays health insurance premiums for retired elected officials and other retired employees. The County pays the premiums monthly as they are billed by the insurance carrier and charges the cost to insurance in the financial statements. The County paid premiums totaling \$115,648 for 20 retirees during the current year.

D. Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County is required by state and federal laws and regulations to annually provide assurance that financial resources will be available to provide for closure, postclosure care, and remediation or containment of environmental hazards. The County has complied with this requirement by obtaining a letter of credit from a bank.

E. Tax Abatements

The County has entered into contractual agreements with property owners in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the dates the agreements were reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of each agreement are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2020, the County had established abatement agreements with the following property owners:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2019 Assessed Values	2019 Taxable Values	2019 Abated Values	2019 Taxes Levied	2019 Taxes Abated
Panther Creek Wind Farm I, LLC	2/7/08	2010	2019	\$ 82,017,240	\$ 82,017,240	\$ 0	\$ 188,640	\$ 0
Rattlesnake Wind Farm I, LLC	8/19/11	2017	2025	155,655,000	62,262,000	93,393,000	143,203	214,804
Bearkat Renewable Energy Project, LLC	2/23/15	2018	2027	201,024,000	80,409,600	120,614,400	184,942	277,413

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

E. Tax Abatements - Continued

During fiscal year 2020, the total amount of abated property value was \$214,007,400. Based on the county tax rate of \$0.23 per \$100 of value, the foregone tax levy due to abatement agreements was \$492,217.

The County has also entered into a tax abatement agreement with Edmondson Ranch Wind Energy, LLC. Tax abatements have not started on this agreement.

F. Subsequent Events

The County's management has evaluated subsequent events through February 5, 2021, the date which the financial statements were available for issue.

Other Information

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,539,177	\$ 10,539,177	\$ 11,414,137	\$ 874,960
Fees	678,000	678,000	678,099	99
Fines	250,000	250,000	144,527	(105,473)
Intergovernmental	40,200	40,200	2,294,293	2,254,093
Investment Earnings	700,000	700,000	383,286	(316,714)
Other Revenue	72,510	72,510	94,693	22,183
Total Revenues	<u>\$ 12,279,887</u>	<u>\$ 12,279,887</u>	<u>\$ 15,009,035</u>	<u>\$ 2,729,148</u>
EXPENDITURES				
Current				
General Government	\$ 3,673,027	\$ 3,487,177	\$ 2,022,070	\$ 1,465,107
Roads and Bridges	5,511,693	5,511,693	4,626,195	885,498
Justice System	332,585	360,685	296,618	64,067
Public Safety	1,013,942	1,018,092	913,923	104,169
Culture and Education	526,048	526,048	118,653	407,395
Public Health and Welfare	966,202	974,402	128,881	845,521
Community and Economic Development	249,500	394,900	391,183	3,717
Total Expenditures	<u>\$ 12,272,997</u>	<u>\$ 12,272,997</u>	<u>\$ 8,497,523</u>	<u>\$ 3,775,474</u>
Net Change in Fund Balance	\$ 6,890	\$ 6,890	\$ 6,511,512	\$ 6,504,622
Fund Balance - Beginning	<u>31,883,956</u>	<u>31,883,956</u>	<u>31,883,956</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 31,890,846</u>	<u>\$ 31,890,846</u>	<u>\$ 38,395,468</u>	<u>\$ 6,504,622</u>

COUNTY OF GLASSCOCK
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	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
Total Pension Liability						
Service Cost	\$ 309,960	\$ 333,273	\$ 321,617	\$ 324,388	\$ 294,353	\$ 235,155
Interest on the Total Pension Liability	755,192	723,250	671,064	620,751	577,149	533,884
Changes of Benefit Terms	-	-	-	-	(49,112)	-
Change of Assumptions	-	-	74,776	-	86,041	-
Difference Between Expected and Actual Experience	(50,247)	(51,727)	109,483	(6,523)	72,584	144,764
Benefit Payments, Including Refunds of Employee Contributions	(602,405)	(572,467)	(517,259)	(444,257)	(434,591)	(419,309)
Net Change in Total Pension Liability	\$ 412,500	\$ 432,329	\$ 659,681	\$ 494,359	\$ 546,424	\$ 494,494
Total Pension Liability - Beginning	9,308,734	8,876,405	8,216,724	7,722,365	7,175,941	6,681,447
Total Pension Liability - Ending	\$ 9,721,234	\$ 9,308,734	\$ 8,876,405	\$ 8,216,724	\$ 7,722,365	\$ 7,175,941
Total Fiduciary Net Position						
Contributions - Employer	\$ 341,444	\$ 407,769	\$ 537,977	\$ 167,969	\$ 161,157	\$ 211,506
Contributions - Employee	135,898	136,818	139,838	132,541	130,041	120,818
Net Investment Income	1,470,938	(171,004)	1,149,347	546,453	(90,238)	484,265
Benefit Payments, Including Refunds of Employee Contributions	(602,405)	(572,467)	(517,259)	(444,257)	(434,591)	(419,309)
Administrative Expenses	(7,843)	(7,194)	(6,093)	(6,021)	(5,461)	(5,769)
Other	(2,847)	90	2,094	(18,687)	38,692	20,443
Net Change in Plan Fiduciary Net Position	\$ 1,335,185	\$ (205,988)	\$ 1,305,904	\$ 377,998	\$ (200,400)	\$ 411,954
Plan Fiduciary Net Position - Beginning	8,956,349	9,162,337	7,856,433	7,478,435	7,678,835	7,266,881
Plan Fiduciary Net Position - Ending	\$ 10,291,534	\$ 8,956,349	\$ 9,162,337	\$ 7,856,433	\$ 7,478,435	\$ 7,678,835
Net Pension Liability (Asset)	\$ (570,300)	\$ 352,385	\$ (285,932)	\$ 360,291	\$ 243,930	\$ (502,894)

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.87%	96.21%	103.22%	95.62%	96.84%	107.01%
Covered Payroll	\$ 1,941,405	\$ 1,954,554	\$ 1,997,685	\$ 1,893,436	\$ 1,857,727	\$ 1,725,969
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-29.38%	18.03%	-14.31%	19.03%	13.13%	-29.14%

Note: GASB 68, Paragraph 46, a and b 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.

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

COUNTY OF GLASSCOCK
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 186,215	\$ 192,063	\$ 204,268	\$ 186,842	\$ 172,785	\$ 175,339	\$ 189,197
Contributions in Relation to the Actuarially Determined Contributions	<u>(341,875)</u>	<u>(406,580)</u>	<u>(549,268)</u>	<u>(186,842)</u>	<u>(172,785)</u>	<u>(175,339)</u>	<u>(539,197)</u>
Contribution Deficiency (Excess)	<u>\$ (155,660)</u>	<u>\$ (214,517)</u>	<u>\$ (345,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (350,000)</u>
Covered Payroll	\$ 1,946,139	\$ 1,941,983	\$ 1,964,558	\$ 1,970,441	\$ 1,958,868	\$ 1,824,999	\$ 1,657,621
Contributions as a Percentage of Covered Payroll	17.57%	20.94%	27.96%	9.48%	8.82%	9.61%	32.53%

Note: GASB 68, Paragraph 81 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.

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

COUNTY OF GLASSCOCK
SCHEDULE OF CHANGES IN THE TOTAL OPEB 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
Total OPEB Liability			
Service Cost	\$ 3,802	\$ 4,333	\$ 4,268
Interest on the Total OPEB Liability	4,545	4,070	4,143
Changes of Benefit Terms	-	-	-
Changes of Assumptions	26,814	(10,923)	4,077
Difference Between Expected and Actual Experience	2,391	(624)	(186)
Benefit Payments*	<u>(3,883)</u>	<u>(3,714)</u>	<u>(3,596)</u>
Net Change in Total OPEB Liability	\$ 33,669	\$ (6,858)	\$ 8,706
Total OPEB Liability - Beginning	<u>108,977</u>	<u>115,835</u>	<u>107,129</u>
Total OPEB Liability - Ending	<u><u>\$ 142,646</u></u>	<u><u>\$ 108,977</u></u>	<u><u>\$ 115,835</u></u>
Covered Payroll	\$ 1,941,405	\$ 1,954,554	\$ 1,997,685
Total OPEB Liability as a Percentage of Covered Payroll	7.35%	5.58%	5.80%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

COUNTY OF GLASSCOCK
Notes to the Other Information
September 30, 2020

Note A - Net Pension Liability

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of 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	4.90%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

COUNTY OF GLASSCOCK
Notes to the Other Information - Continued
September 30, 2020

Note B - Total OPEB Liability

Following are the key assumptions and methods used in this GASB analysis.

Actuarial Assumptions - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Investment Rate of Return (Discount Rate)	2.74%

Mortality rates were based on the following criteria:

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.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2019, were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

The Honorable County Judge
and Commissioners' Court
County of Glasscock
P.O. Box 67
Garden City, TX 79739-0067

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, 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 February 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Glasscock's internal control over financial reporting (internal control) as a basis for designing 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 of Glasscock's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Glasscock's internal control.

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. 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.

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. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Glasscock's financial statements are free of 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 financial statements. 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*.

The Honorable County Judge
and Commissioners' Court
Page 2

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.

Eckert & Company, LLP

February 5, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS
SINGLE AUDIT CIRCULAR OF THE UNIFORM GRANT MANAGEMENT STANDARDS

The Honorable County Judge
and Commissioners' Court
County of Glasscock
P.O. Box 67
Garden City, TX 79739-0067

Report on Compliance for Each Major State Program

We have audited the County of Glasscock's compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on the County of Glasscock's major state program for the year ended September 30, 2020. The County of Glasscock's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County of Glasscock's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County of Glasscock's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the County of Glasscock's compliance.

Opinion on Each Major State Program

In our opinion, the County of Glasscock, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the County of Glasscock, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Glasscock’s internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Eckert & Company, LLP

February 5, 2021

COUNTY OF GLASSCOCK
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal Control Over Financial Reporting	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

State Awards

Internal Control Over Major Programs	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?	___ Yes <u>X</u> No

Identification of Major Program

Grant	
<u>Number</u>	<u>Name of State Program</u>

CTIF-02-088 Texas Department of Transportation - County Transportation Infrastructure Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major State Award Program Audit

None

D. Findings - State Compliance

None



Kim Halfmann
Glasscock County Judge

Pct. 1 Commissioner Charles Gully
Pct. 3 Commissioner Brian Frerich

Pct. 2 Commissioner Mark Halfmann
Pct. 4 Commissioner John Seidenberger

Schedule of Status of Prior Findings
Year Ended September 30, 2020

Prior Year Findings -

Reference Number: 2019-001

The County purchased a rescue truck without going through competitive procurement process.

Status of Prior Year Findings -

Reference Number: 2019-001

This condition did not exist in the current year.

COUNTY OF GLASSCOCK
SCHEDULE OF EXPENDITURE OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>State Grantor/ Program Title</u>	<u>State Grantors Number</u>	<u>State Expenditures</u>
Texas Department of Transportation County Transportation Infrastructure Fund Grant	CTIF-02-088	<u>\$ 2,255,791</u>

COUNTY OF GLASSCOCK
Notes to the Schedule of Expenditures of State Awards
September 30, 2020

Note A - Basis of Accounting

The County accounts for awards under state programs in the General Fund. The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

Note B - Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of the County of Glasscock and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.