

COUNTY OF RUNNELS  
 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 Runnels  
P.O. Box 310  
Ballinger, TX 76821-0310

### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, 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, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of September 30, 2020, and the respective changes in modified cash-basis financial position 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, 38, and 39 through 45, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the County of Runnels' 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 Runnels' 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 Runnels' internal control over financial reporting and compliance.

***Eckert & Company, LLP***

April 6, 2021

# RUNNELS COUNTY



COMMISSIONERS COURT  
RUNNELS COUNTY COURTHOUSE  
613 HUTCHINGS AVENUE, ROOM 103  
BALLINGER, TEXAS 76821

Barry Hilliard, County Judge

Robert Moore, Precinct 1  
Roy Mints, Precinct 3

Ronald Presley, Precinct 2  
Juan Ornales, Precinct 4

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Runnels' 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 \$5,777,350 (net position). Of this amount, \$3,174,552 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$46,405 or 1% as a result of current year operations. The County's statement of activities shows total revenues of \$7,344,006 and total expenses of \$7,297,601.

The total fund balance of the General Fund is \$1,635,455 which is an increase of \$110,738 or 7% 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

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.

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, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

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 two categories: governmental 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 and the Special Revenue Fund - Grant Fund, both of which are considered to be a major funds. Data from other governmental funds are combined into a single, aggregated presentation.

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

**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.

**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	
	September 30,	
	2020	2019
Current and Other Assets	\$ 3,916,676	\$ 3,396,120
Capital Assets	2,199,646	2,495,976
Total Assets	\$ 6,116,322	\$ 5,892,096
Long-Term Liabilities Outstanding	\$ 80,873	\$ 118,936
Other Liabilities	258,099	42,215
Total Liabilities	\$ 338,972	\$ 161,151
Net Position		
Net Investment in Capital Assets	\$ 2,118,773	\$ 2,377,040
Restricted	484,025	474,043
Unrestricted	3,174,552	2,879,862
Total Net Position	\$ 5,777,350	\$ 5,730,945

A portion of the County's net position resulting from modified cash basis transactions (\$2,118,773) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$484,025) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,174,552) 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 \$46,405 and decreased the County's net position resulting from modified cash basis transactions by \$395,337 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

	<u>Governmental Activities</u>	
	<u>Year Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenues		
Program Revenues		
Charges for Services	\$ 1,343,262	\$ 1,172,680
Operating Grants and Contributions	164,216	138,990
General Revenues		
Maintenance and Operations Taxes	4,980,785	4,504,852
Debt Service Taxes	1,225	2,381
Sales Taxes	642,953	537,635
Interest Earnings	49,596	138,385
Other Revenues	<u>161,969</u>	<u>164,870</u>
Total Revenues	<u>\$ 7,344,006</u>	<u>\$ 6,659,793</u>
Expenses		
General Government	\$ 2,140,155	\$ 2,097,972
Roads and Bridges	2,037,033	1,937,963
Justice System	688,777	683,173
Public Safety	941,107	1,001,063
Corrections and Rehabilitation	1,402,712	1,263,072
Public Health and Welfare	76,392	60,512
Culture and Recreation	<u>11,425</u>	<u>11,375</u>
Total Expenses	<u>\$ 7,297,601</u>	<u>\$ 7,055,130</u>
Change in Net Position	\$ 46,405	\$ (395,337)
Net Position - Beginning	<u>5,730,945</u>	<u>6,126,282</u>
Net Position - Ending	<u>\$ 5,777,350</u>	<u>\$ 5,730,945</u>

## 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 on the modified cash basis of accounting of \$3,658,577, an increase of \$304,672 or 9% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,635,455. All of this balance is unassigned.

Special Revenue Funds \$1,982,094. Of this balance \$1,539,097 is committed to special programs and \$442,997 is restricted by legislation.

Debt Service Fund \$41,028. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$4,654,515, and the final amended budget was \$4,768,705 which represents a \$114,190 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 38 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$4,707,371 for the fiscal year 2021, which is a decrease of \$61,334 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** - Financial statement footnote III., H. discloses the County's debt activity for the year ended September 30, 2020.

### 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: Barry Hilliard, County Judge, County of Runnels, P.O. Box 310, Ballinger, TX 76821-0310.

Basic Financial Statements

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

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,843,955
Due from Fiduciary Funds	58,632
Due from Other Governments	14,084
Capital Assets:	
Land	63,957
Buildings and Improvements, Net	1,464,330
Machinery and Equipment, Net	671,359
Other Assets	5
Total Assets	6,116,322
<b>LIABILITIES</b>	
Unearned Revenue	164,256
Other Payables	93,843
Noncurrent Liabilities:	
Due Within One Year	39,624
Due in More Than One Year	41,249
Total Liabilities	338,972
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,118,773
Restricted for:	
Restricted for Debt Service	41,028
Restricted for Legislation	442,997
Unrestricted	3,174,552
Total Net Position	\$ 5,777,350

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

COUNTY OF RUNNELS  
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	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 2,140,155	\$ 214,922	\$ 29,581	\$ (1,895,652)
Roads and Bridges	2,037,033	738,794	24,624	(1,273,615)
Justice System	688,777	94,028	54,095	(540,654)
Public Safety	941,107	134,326	19,293	(787,488)
Corrections and Rehabilitation	1,402,712	147,759	26,045	(1,228,908)
Health and Welfare	76,392	13,433	10,578	(52,381)
Culture and Recreation	11,425	-	-	(11,425)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 7,297,601</u>	<u>\$ 1,343,262</u>	<u>\$ 164,216</u>	<u>(5,790,123)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	4,980,785
Property Taxes, Levied for Debt Service	1,225
General Sales and Use Taxes	642,953
Miscellaneous Revenue	161,969
Interest Earnings	49,596
<b>Total General Revenues</b>	<u>5,836,528</u>

Change in Net Position 46,405

Net Position - Beginning 5,730,945

Net Position - Ending \$ 5,777,350

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

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

	General Fund	Grant Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,668,201	\$ 164,256	\$ 2,011,498	\$ 3,843,955
Due from Other Funds	41,972	-	16,660	58,632
Due from Other Governments	14,084	-	-	14,084
Other Assets	5	-	-	5
Total Assets	<u>\$ 1,724,262</u>	<u>\$ 164,256</u>	<u>\$ 2,028,158</u>	<u>\$ 3,916,676</u>
<b>LIABILITIES</b>				
Unearned Revenue	\$ -	\$ 164,256	\$ -	\$ 164,256
Other Payables	88,807	-	5,036	93,843
Total Liabilities	<u>88,807</u>	<u>164,256</u>	<u>5,036</u>	<u>258,099</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Restricted by Legislation	-	-	442,997	442,997
Restricted for Debt Service	-	-	41,028	41,028
Committed Fund Balance:				
Committed for Jury	-	-	292,282	292,282
Committed for Roads and Bridges	-	-	927,834	927,834
Committed for Permanent Improvements	-	-	291,347	291,347
Committed for Special Programs	-	-	27,634	27,634
Unassigned Fund Balance	1,635,455	-	-	1,635,455
Total Fund Balances	<u>1,635,455</u>	<u>-</u>	<u>2,023,122</u>	<u>3,658,577</u>
Total Liabilities and Fund Balances	<u>\$ 1,724,262</u>	<u>\$ 164,256</u>	<u>\$ 2,028,158</u>	<u>\$ 3,916,676</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$	3,658,577
Capital assets used in governmental activities and long term liabilities are not reported in the governmental funds financial statements. The net effect of these adjustments is to increase (decrease) net position.		2,377,040
Capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		105,464
Depreciation expense is not recognized in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(363,731)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,777,350</b>

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

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

	General Fund	Grant Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 3,756,412	\$ -	\$ 1,868,551	\$ 5,624,963
Fees and Fines	235,978	-	696,426	932,404
Intergovernmental	415,111	19,488	74,328	508,927
Interest	30,962	-	18,634	49,596
Miscellaneous	76,171	-	138,560	214,731
Total Revenues	<u>4,514,634</u>	<u>19,488</u>	<u>2,796,499</u>	<u>7,330,621</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,758,377	2,550	330,850	2,091,777
Roads and Bridges	-	-	1,929,222	1,929,222
Justice System	436,459	-	250,437	686,896
Public Safety	901,409	10,000	19	911,428
Corrections and Rehabilitation	1,242,120	1,089	60,545	1,303,754
Health and Welfare	63,806	5,849	31,492	101,147
Culture and Recreation	11,425	-	-	11,425
Total Expenditures	<u>4,413,596</u>	<u>19,488</u>	<u>2,602,565</u>	<u>7,035,649</u>
Excess of Revenues Over Expenditures	<u>101,038</u>	<u>-</u>	<u>193,934</u>	<u>294,972</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	9,700	-	-	9,700
Total Other Financing Sources (Uses)	<u>9,700</u>	<u>-</u>	<u>-</u>	<u>9,700</u>
Net Change in Fund Balances	110,738	-	193,934	304,672
Fund Balance - October 1 (Beginning)	<u>1,524,717</u>	<u>-</u>	<u>1,829,188</u>	<u>3,353,905</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,635,455</u>	<u>\$ -</u>	<u>\$ 2,023,122</u>	<u>\$ 3,658,577</u>

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

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

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	304,672
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		105,464
Depreciation is not recognized as an expense in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(363,731)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>46,405</u>

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

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

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 268,159
Due from Fiduciary Funds	9,105
	<hr/>
Total Assets	<u>\$ 277,264</u>
LIABILITIES	
Due to Other Funds	\$ 67,737
Due to Other Governments	43,319
Due to Others	166,208
	<hr/>
Total Liabilities	<u>\$ 277,264</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Runnels, 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 Runnels, Texas, was organized by an Act of the Texas Legislature in 1880. 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, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. 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 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.

**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.

**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 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.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

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.

**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. 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.

Special Revenue Fund – Grant Fund – This Fund accounts for the revenues and expenditures for grant programs administered by the County.

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.

**D. 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.

**E. 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.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-30
Machinery and Equipment	5-10

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.

**F. Long-Term Debt**

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

**G. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Sick leave accumulates but does not vest. Vacation leave does not accumulate or vest. Employees who retire or voluntarily terminate employment will be paid for 50 days of unused sick leave if they have worked for the County for more than eight years and have accumulated more than 50 days of sick leave. Employees who voluntarily terminate employment will be paid for any unused vacation leave.

**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 the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

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.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Debt Service, or Restricted by Legislation.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Fund Balances**

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.

**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.

**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.

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budget - Continued**

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

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations by an immaterial amount within the General Fund as reported on page 38.

**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 RUNNELS  
Notes to the Financial Statements - Continued  
September 30, 2020

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Due from Other Governments**

The County participates in a variety of federal and state programs from which it receives funds to partially or fully finance certain activities. Amounts due from other governments are summarized as follows:

	<u>Other</u>
General Fund	<u>\$ 14,084</u>

**C. 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>\$ 41,972</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 16,660</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 41,972	Unremitted Fees
Nonmajor Governmental Funds	0	16,660	Unremitted Fees
Fiduciary Funds	<u>9,105</u>	<u>9,105</u>	Unremitted Fees
	<u>\$ 9,105</u>	<u>\$ 67,737</u>	
Totals	<u>\$ 67,737</u>	<u>\$ 67,737</u>	

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

COUNTY OF RUNNELS  
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				
Land	\$ 63,957	\$ 0	\$ 0	\$ 63,957
Buildings and Improvements	5,726,299	45,347	0	5,771,646
Machinery and Equipment	<u>3,536,455</u>	<u>23,369</u>	<u>(116,435)</u>	<u>3,443,389</u>
Total Capital Assets	<u>\$ 9,326,711</u>	<u>\$ 68,716</u>	<u>\$ (116,435)</u>	<u>\$ 9,278,992</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (4,151,303)	\$ (156,013)	\$ 0	\$ (4,307,316)
Machinery and Equipment	<u>(2,679,432)</u>	<u>(207,718)</u>	<u>115,120</u>	<u>(2,772,030)</u>
Total Accumulated Depreciation	<u>\$ (6,830,735)</u>	<u>\$ (363,731)</u>	<u>\$ 115,120</u>	<u>\$ (7,079,346)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,495,976</u>	<u>\$ (295,015)</u>	<u>\$ (1,315)</u>	<u>\$ 2,199,646</u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 48,378
Roads and Bridges	144,653
Justice System	1,881
Public Safety	49,269
Corrections and Rehabilitation	113,130
Public Health and Welfare	<u>6,420</u>
Total	<u>\$ 363,731</u>

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**E. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	Grant Fund
HAVA - Help America Vote Act	\$ 130,307
Cares Act Coronavirus Relief Funds	33,949
Total	\$ 164,256

**F. Commitments Under Noncapitalized Leases**

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of September 30, 2020, as follows:

Year Ending September 30,	
2021	\$ 8,328
2022	8,328
2023	7,634
Total Minimum Rentals	\$ 24,290

Rental expenditures during the year ended September 30, 2020, were \$694.

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS – Continued**

**G. Capital Leases**

The County's outstanding capital lease agreements, which qualify as capital leases for accounting purposes and are payable from the General Fund, the Road and Bridge Funds, and the Paving Fund, are as follows:

Payable from the General Fund	
Capital lease to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. <sup>2</sup>	\$ 23,680
Capital lease to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. <sup>2</sup>	21,027
Capital lease to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. <sup>2</sup>	32,844
Capital lease to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. <sup>2</sup>	33,244
Payable from the Road and Bridge Funds	
Capital lease to finance the acquisition of a 2014 John Deere 672G Motor Grader. Payable to Tibbit Commercial Leasing in annual installments with an interest rate of 2.991%. <sup>1</sup>	62,452
Capital lease to finance the acquisition of a 2016 John Deere 770G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.13%. <sup>3</sup>	180,703
Capital lease to finance the acquisition of a 2014 Case Farmall 125A Cab Tractor. Payable to Citizens First Bank in annual installments with an interest rate of 3.994%. <sup>1</sup>	26,769
Capital lease to finance the acquisition of a 2018 John Deere 672G Motor Grader. Payable to Deere Credit, Inc., in annual installments with an interest rate of 3.5%. <sup>3</sup>	203,632
Capital lease to finance the acquisition of a 2014 John Deere 750K DOZER. Payable to First National Bank, in annual installments with an interest rate of 3.0%. <sup>3</sup>	120,299
Capital lease to finance the acquisition of a 2014 John Deere 672GXDW Motor Grader. to First National Bank, in annual installments with an interest rate of 2.75%. <sup>3</sup>	156,849
Capital lease to finance the acquisition of a 2009 John Deere 770D Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.75%. <sup>3</sup>	41,172
Capital lease to finance the acquisition of a 2014 John Deere 310K Backhoe Loader. Payable to Deere Credit, Inc., in annual installments with an interest rate of 5.25%. <sup>3</sup>	23,682
Capital lease to finance the acquisition of a 2020 Kubota Tractor. Payable to First Financial Bank in annual installments with an interest rate of 3.299%. <sup>1</sup>	73,452
Capital lease to finance the acquisition of two 2015 Freightliner CA113 Trucks. Payable to First State Bank in annual installments with an interest rate of 4.1%. <sup>1</sup>	52,495
Payable from the Paving Fund	
Capital lease to finance the acquisition of a 2016 Entyre K7201 Chipspreader. Payable to American National Leasing Co., in annual installments with an interest rate of 2.75%. <sup>3</sup>	90,500
Total Capital Leases Payable	<u>\$ 1,142,800</u>

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Capital Leases - Continued**

<sup>1</sup> The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

<sup>2</sup> The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property.

<sup>3</sup> The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property or to file suit, action or special proceeding as permitted by law.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases		Total
	Principal	Interest	
2021	\$ 259,711	\$ 29,135	\$ 288,846
2022	414,672	24,117	438,789
2023	328,621	14,461	343,082
2024	98,640	3,644	102,284
2025	41,156	1,282	42,438
Totals	<u>\$ 1,142,800</u>	<u>\$ 72,639</u>	<u>\$ 1,215,439</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	<u>\$ 1,163,271</u>	<u>\$ 298,839</u>	<u>\$ 319,310</u>	<u>\$ 1,142,800</u>

**H. Long-Term Debt**

The County's long-term liabilities consist of long-term financing. The current requirements for long-term financing principal and interest are accounted for in the General Fund and the Road and Bridge Funds.

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Financing	<u>\$ 118,936</u>	<u>\$ 0</u>	<u>\$ 38,063</u>	<u>\$ 80,873</u>	<u>\$ 39,624</u>

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Long-Term Debt - Continued**

The County's outstanding long-term financing, which is payable from the General Fund and the Road and Bridge Funds is as follows:

Long-term financing for the purchase of hardware and software for the Sheriff Department. Due in yearly installments through May 21, 2022, with an interest rate of 3.69%. <sup>4</sup>	\$ 41,371
Long-term financing for the purchase of a water truck for Road and Bridge Precinct 2. Due in yearly installments through March 1, 2022, with an interest rate of 4.487%. <sup>4</sup>	<u>39,502</u>
Total	<u><u>\$ 80,873</u></u>

<sup>4</sup>The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

The annual debt service requirements are as follows:

Year Ending September 30,	Long-Term Financing		Total
	Principal	Interest	
2021	\$ 39,624	\$ 3,318	\$ 42,942
2022	<u>41,249</u>	<u>1,692</u>	<u>42,941</u>
Totals	<u><u>\$ 80,873</u></u>	<u><u>\$ 5,010</u></u>	<u><u>\$ 85,883</u></u>

**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](http://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.

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

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

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 9.25% and was 9.25% for the months of the accounting year in 2020.

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.

**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.

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

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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 RUNNELS  
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 RUNNELS  
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 RUNNELS  
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 (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balance as of December 31, 2018	\$ 13,062,386	\$ 12,582,247	\$ 480,139
Changes for the Year:			
Service Cost	\$ 283,876	\$ 0	\$ 283,876
Interest on Total Pension Liability	1,046,885	0	1,046,885
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	17,140	0	17,140
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(37,488)	(37,488)	0
Benefit Payments	(822,783)	(822,783)	0
Administrative Expenses	0	(10,829)	10,829
Member Contributions	0	191,933	(191,933)
Net Investment Income	0	2,066,677	(2,066,677)
Employer Contributions	0	253,627	(253,627)
Other	0	(12,219)	12,219
Net Changes	<u>\$ 487,630</u>	<u>\$ 1,628,918</u>	<u>\$ (1,141,288)</u>
Balance as of December 31, 2019	<u>\$ 13,550,016</u>	<u>\$ 14,211,165</u>	<u>\$ (661,149)</u>

COUNTY OF RUNNELS  
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	\$ 14,906,208	\$ 13,550,016	\$ 12,371,444
Fiduciary Net Position	<u>14,211,165</u>	<u>14,211,165</u>	<u>14,211,165</u>
Net Pension Liability (Asset)	<u>\$ 695,043</u>	<u>\$ (661,149)</u>	<u>\$ (1,839,721)</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	\$ 283,876
Interest on Total Pension Liability	1,046,885
Effect of Plan Changes	0
Administrative Expenses	10,829
Member Contributions	(191,933)
Expected Investment Return Net of Investment Expenses	(1,001,778)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(86,237)
Recognition of Assumption Changes or Inputs	33,897
Recognition of Investment Gains or Losses	52,163
Other	<u>12,219</u>
Total Pension Expense (Income)	<u>\$ 159,921</u>

COUNTY OF RUNNELS  
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	\$ 11,427	\$ 61,615
Changes in Assumptions	-	-
Net Differences Between Projected and Actual Earnings	-	366,396
Contributions Made Subsequent to Measurement Date	198,492	-
Totals	\$ 209,919	\$ 428,011

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	\$ (149,430)
2021	(102,164)
2022	47,989
2023	(212,979)
2024	0
Thereafter	0

The net pension liability (asset), deferred resource outflows, and deferred resource inflows related to the pension liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

**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 TCERS 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.

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

**IV. OTHER INFORMATION - Continued**

**B. Other Postemployment Benefits (OPEB) - Continued**

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.

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	71
Inactive Employees Entitled to But Not Yet Receiving Benefits	8
Active Employers	<u>80</u>
Total	<u><u>159</u></u>

**Total OPEB Liability** - The County's total OPEB liability of \$333,922 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 RUNNELS  
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>\$ 267,939</u>
Changes for the Year:	
Service Cost	\$ 6,820
Interest on Total OPEB Liability	11,026
Changes of Benefit Terms	0
Effect of Economic/Demographic Experience	1,562
Effect of Assumptions Changes or Inputs	58,365
Benefit Payments	(11,790)
Other	<u>0</u>
Net Changes	<u>\$ 65,983</u>
Balance as of December 31, 2019	<u><u>\$ 333,922</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 RUNNELS  
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>\$ 389,468</u>	<u>\$ 333,922</u>	<u>\$ 289,401</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	\$ 6,820
Interest on Total OPEB Liability	11,026
Effect of Plan Changes	0
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(962)
Recognition of Assumption Changes or Inputs	9,979
Other	<u>0</u>
Total OPEB Expense (Income)	<u>\$ 26,863</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	\$ 1,171	\$ 2,704
Changes in Assumptions	47,597	13,046
Contributions Made Subsequent to Measurement Date	<u>15,666</u>	<u>-</u>
Totals	<u>\$ 64,434</u>	<u>\$ 15,750</u>

COUNTY OF RUNNELS  
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	\$ 9,017
2021	9,020
2022	14,981
2023	0
2024	0
Thereafter	0

The total OPEB liability (asset), deferred resource outflows, and deferred resource inflows related to the total OPEB liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

**C. Self-Insurance**

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and heavy equipment.

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

**IV. OTHER INFORMATION - Continued**

**C. Self-Insurance - Continued**

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund provides coverage for property damage.

**D. Subsequent Events**

The County's management has evaluated subsequent events through April 6, 2021, the date which the financial statements were available for issue.

Other Information

COUNTY OF RUNNELS  
 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		
<b>REVENUES:</b>				
Taxes	\$ 3,614,033	\$ 3,614,033	\$ 3,756,412	\$ 142,379
Fees and Fines	230,890	237,890	235,978	(1,912)
Intergovernmental	470,133	508,001	415,111	(92,890)
Interest	85,000	85,000	30,962	(54,038)
Miscellaneous	28,350	35,658	76,171	40,513
Total Revenues	4,428,406	4,480,582	4,514,634	34,052
<b>EXPENDITURES:</b>				
Current:				
General Government	1,860,197	1,874,321	1,758,377	115,944
Justice System	448,805	451,551	436,459	15,092
Public Safety	976,966	991,827	901,409	90,418
Corrections and Rehabilitation	1,318,604	1,368,107	1,242,120	125,987
Health and Welfare	39,168	72,124	63,806	8,318
Culture and Recreation	10,775	10,775	11,425	(650)
Total Expenditures	4,654,515	4,768,705	4,413,596	355,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	(226,109)	(288,123)	101,038	389,161
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	9,000	9,700	700
Total Other Financing Sources (Uses)	-	9,000	9,700	700
Net Change in Fund Balances	(226,109)	(279,123)	110,738	389,861
Fund Balance - October 1 (Beginning)	1,524,717	1,524,717	1,524,717	-
Fund Balance - September 30 (Ending)	\$ 1,298,608	\$ 1,245,594	\$ 1,635,455	\$ 389,861

COUNTY OF RUNNELS  
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
<b>A. Total Pension Liability</b>			
Service Cost	\$ 283,876	\$ 269,760	\$ 277,810
Interest (on the Total Pension Liability)	1,046,885	1,022,582	982,730
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	17,140	-	(91,006)
Changes of Assumptions	-	(184,843)	101,691
Benefit Payments, Including Refunds of Employee Contributions	(860,271)	(784,376)	(758,472)
Net Change in Total Pension Liability	\$ 487,630	\$ 323,123	\$ 512,753
Total Pension Liability - Beginning	13,062,386	12,739,263	12,226,510
Total Pension Liability - Ending	\$ 13,550,016	\$ 13,062,386	\$ 12,739,263
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 253,627	\$ 244,545	\$ 226,117
Contributions - Employee	191,933	185,061	171,114
Net Investment Income	2,066,677	(249,994)	1,724,823
Benefit Payments, Including Refunds of Employee Contributions	(860,271)	(784,376)	(758,472)
Administrative Expense	(10,829)	(10,106)	(8,783)
Other	(12,219)	(9,243)	(4,924)
Net Change in Plan Fiduciary Net Position	\$ 1,628,918	\$ (624,113)	\$ 1,349,875
Plan Fiduciary Net Position - Beginning	12,582,247	13,206,360	11,856,486
Plan Fiduciary Net Position - Ending	\$ 14,211,165	\$ 12,582,247	\$ 13,206,361
<b>C. Net Pension Liability (Asset)</b>	\$ (661,149)	\$ 480,139	\$ (467,098)
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	104.88%	96.32%	103.67%
<b>E. Covered Payroll</b>	\$ 2,741,899	\$ 2,643,724	\$ 2,444,483
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	(24.11%)	18.16%	(19.11%)

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

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

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	306,522	\$ 278,520	\$ 286,024
	952,025	922,324	889,693
	-	(16,414)	-
	(259,615)	(175,323)	(128,677)
	-	136,483	-
	(736,748)	(730,913)	(669,020)
\$	262,184	\$ 414,677	\$ 378,020
	11,964,326	11,549,649	11,171,629
\$	12,226,510	\$ 11,964,326	\$ 11,549,649
\$	235,085	\$ 232,393	\$ 225,919
	177,900	175,863	170,965
	842,493	213,800	779,631
	(736,748)	(730,913)	(669,020)
	(9,286)	(8,369)	(8,837)
	(202,208)	(49,566)	(17,350)
\$	307,236	\$ (166,792)	\$ 481,308
	11,549,250	11,716,042	11,234,734
\$	11,856,486	\$ 11,549,250	\$ 11,716,042
\$	370,024	\$ 415,076	\$ (166,393)
	96.97%	96.53%	101.44%
\$	2,541,429	\$ 2,512,323	\$ 2,442,356
	14.56%	16.52%	(6.81%)

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

	2020	2019	2018
Actuarially Determined Contribution	\$ 183,433	\$ 192,170	\$ 197,527
Contributions in Relation to the Actuarially Determined Contributions	(258,561)	(251,412)	(241,886)
Contribution Deficiency (Excess)	<u>\$ (75,128)</u>	<u>\$ (59,242)</u>	<u>\$ (44,359)</u>
Covered Employee Payroll	\$ 2,795,232	\$ 2,717,968	\$ 2,614,968
Contributions as a Percentage of Covered Employee Payroll	9.25%	9.25%	9.25%

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

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

	2017	2016	2015
\$	195,054	\$ 226,739	\$ 232,498
	(228,339)	(236,988)	(232,498)
\$	(33,285)	\$ (10,249)	\$ -
\$	2,468,498	\$ 2,562,002	\$ 2,513,462
	9.25%	9.25%	9.25%

COUNTY OF RUNNELS  
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
<b>Total OPEB Liability</b>			
Service Cost	\$ 6,820	\$ 8,609	\$ 7,891
Interest on the Total OPEB Liability	11,026	10,035	10,439
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	1,562	(2,526)	(3,606)
Changes of Assumptions	58,365	(26,094)	9,559
Benefit Payments*	(11,790)	(10,311)	(8,556)
Net Change in Total OPEB Liability	65,983	(20,287)	15,727
Total OPEB Liability - Beginning	267,939	288,226	272,499
Total OPEB Liability - Ending	\$ 333,922	\$ 267,939	\$ 288,226
<b>Covered Payroll</b>	\$ 2,741,899	\$ 2,643,724	\$ 2,444,483
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	12.18%	10.13%	11.79%

\*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 RUNNELS  
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 RUNNELS  
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 Runnels  
P.O. Box 310  
Ballinger, TX 76821-0310

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, each major fund, and the aggregate remaining fund information of the County of Runnels, 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 April 6, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Runnels' 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 Runnels' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Runnels' 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 Runnels' 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*.

**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*

April 6, 2021