

COTTLE COUNTY, TEXAS

Exhibit A-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

ADDITIONS

Fines and Fees Collected	\$	307,174
Other		<u>316</u>
	\$	<u>307,490</u>

DEDUCTIONS

Fines and Fees Distributed	\$	304,977
Other		<u>5,480</u>
	\$	<u>310,457</u>

Change in Net Position \$ (2,967)

NET POSITION

October 1, 2020 (Beginning)		0
Prior Period Adjustment		<u>42,580</u>
September 30, 2021 (Ending)	\$	<u><u>39,613</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

COTTLE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Cottle County, Texas (the County) operates under a county judge/commissioners court type of government as provided by state statute.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of the Notes. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2021.

The County is a body, corporate and political, which performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and four Commissioners form the governing body, the Commissioners' Court. Various branches of the County government are led by duly elected officials who serve in their positions. These other elected officials are responsible only to the voters for their performance and for the operations of their individual offices but must seek budget approval from the Commissioners' Court. There are no component units (other governmental entities) over which the County exercises significant controls or has oversight responsibility.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are Government-Wide Financial Statements. They report information on all of the County's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants, and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the Government-Wide Statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the Government-Wide Statement of Activities.

COTTLE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the Government-Wide Statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-Wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with accounting principles generally accepted in the United States of America. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

COTTLE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability / (Asset) if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.60%) in measuring the 2020 Net Pension Asset.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 2,035,649	\$ 1,842,847	\$ 1,682,675
Fiduciary Net Position	(2,051,539)	(2,051,539)	(2,051,539)
Net Pension Liability / (Asset)	\$ (15,890)	\$ (208,692)	\$ (368,864)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2020, the County reported an asset of \$208,692 for its proportionate share of the TCDRS net pension asset.

The net pension asset was measured as of December 31, 2020 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The employer's proportion of the net pension asset was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2020 through December 31, 2020.

For the plan year ended December 31, 2020, there were no changes in plan provisions.

During the year, the plan adopted a new discount rate of 7.60% compared to 8.10% in the prior year. The plan also reduced the inflation rate from 2.75% to 2.50%. Various other assumptions including mortality were also adjusted as a result of the 2021 experience study.

At December 31, 2020, the County reported its proportionate share of the TCDRS deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows/(Inflows) of Resources
Differences Between Expected and Actual Economic Experience	\$ (13,063)
Changes of Assumptions	66,999
Net Difference Between Projected and Actual Earnings	(70,743)
Contributions Paid to TCDRS Subsequent to the Measurement Date	31,105
Total	\$ 14,298

COTTLE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The net amounts of the employer's balances of deferred outflows and inflows related to pensions will be recognized in pension expense as follows:

	Amortization of Deferred Outflows/(Inflows) of Resources
	<hr/>
2021	21,990
2022	10,812
2023	(24,137)
2024	5,633
Thereafter	0

At December 31, 2020, the County reported deferred outflows and inflows of resources for the TCDRS pension plan as follows:

	Deferred Outflows/(Inflows) of Resources
	<hr/>
Total Net Amounts as of December 31, 2020 Measurement Date	\$ (13,986)
Contributions Made Subsequent to the Measurement Date	31,105
Contributions Made Prior to the Measurement Date	(29,143)
Net Deferred Outflows/(Inflows) related to the year ending December 31, 2020	28,162
Amortization of Deferred Outflows/(Inflows)	(1,840)
Total Net Amounts as of December 31, 2020	<hr/> <hr/> \$ 14,298

Pension Expense:

Pension expense for the plan for the year ended December 31, 2020 was \$6,171 and was calculated as follows:

	Pension Expense
	<hr/>
Service Cost	\$ 55,926
Interest on Total Pension Liability	137,406
Administrative Expenses	1,503
Member Contributions	(39,231)
Expected Investment Return Net of Investment Expenses	(152,252)
Amortization of Deferred Inflows and Outflows of Resources	1,812
Other	1,007
Total Pension Expense as of December 31, 2020	<hr/> <hr/> \$ 6,171

COTTLE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Employees Covered by Benefit Terms:

At the December 31, 2020 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	18
Inactive Employees Entitled to but not Yet Receiving Benefits	26
Active Employees	<u>32</u>
Total Plan Employees	<u><u>76</u></u>

G. LITIGATION AND COMMITMENTS

There is no pending litigation against the County at September 30, 2021 that would have a material effect on the financial statements.

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. ACCRUED COMPENSATED ABSENCES

Accumulated unpaid leave amounts are not accrued in the governmental funds using the modified accrual basis of accounting but are reflected in the government-wide Statement of Net Position. At September 30, 2021, accrued employee benefits recorded on the Statement of Net Position were for vacation pay in the amount of \$7,500.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
TOTAL PENSION LIABILITY / (ASSET)							
Service Cost	\$ 45,951	\$ 33,498	\$ 45,949	\$ 37,923	\$ 39,104	\$ 53,461	\$ 55,926
Interest Cost	104,950	111,100	116,169	120,698	127,064	132,180	137,406
Effect of Plan Changes		(3,533)					
Effect of Economic/Demographic losses	2,622	(11,362)	(14,514)	15,044	4,950	(8,410)	(11,568)
Effect of Assumptions Changes or Inputs		18,578		20,711			83,749
Benefit Payments/Refunds of Contributions	(70,431)	(85,733)	(84,228)	(117,345)	(132,918)	(113,840)	(118,853)
Proportionate Share adjustment					1,046	(25)	(130)
Net Change in Total Pension Liability	\$ 83,092	\$ 62,548	\$ 63,376	\$ 77,031	\$ 39,246	\$ 63,366	\$ 146,530
Total Pension Liability, Beginning	<u>1,307,658</u>	<u>1,390,750</u>	<u>1,453,298</u>	<u>1,516,674</u>	<u>1,593,705</u>	<u>1,632,951</u>	<u>1,696,317</u>
Total Pension Liability, Ending	\$ <u>1,390,750</u>	\$ <u>1,453,298</u>	\$ <u>1,516,674</u>	\$ <u>1,593,705</u>	\$ <u>1,632,951</u>	\$ <u>1,696,317</u>	\$ <u>1,842,847</u>
FIDUCIARY NET POSITION							
Employer Contributions	\$ 30,341	\$ 31,214	\$ 32,125	\$ 28,216	\$ 31,097	\$ 37,794	\$ 39,231
Member Contributions	30,341	31,214	32,125	28,216	31,097	37,794	39,231
Investment Income, Net of Expenses	105,277	19,299	112,243	231,857	(33,821)	273,709	196,272
Benefit Payments/Refunds of Contributions	(70,431)	(85,733)	(84,228)	(117,345)	(132,918)	(113,840)	(118,853)
Administrative Expenses	(1,140)	(1,097)	(1,221)	(1,173)	(1,338)	(1,448)	(1,503)
Other	10,965	(9,090)	(7,930)	(1,205)	14	(1,045)	(1,007)
Net Change in Fiduciary Net Position	\$ 105,353	\$ (14,193)	\$ 83,114	\$ 168,566	\$ (105,869)	\$ 232,964	\$ 153,371
Fiduciary Net Position, Beginning	<u>1,428,233</u>	<u>1,533,586</u>	<u>1,519,393</u>	<u>1,602,507</u>	<u>1,771,073</u>	<u>1,665,204</u>	<u>1,898,168</u>
Fiduciary Net Position, Ending	\$ <u>1,533,586</u>	\$ <u>1,519,393</u>	\$ <u>1,602,507</u>	\$ <u>1,771,073</u>	\$ <u>1,665,204</u>	\$ <u>1,898,168</u>	\$ <u>2,051,539</u>
NET PENSION LIABILITY / (ASSET)	\$ <u>(142,836)</u>	\$ <u>(66,095)</u>	\$ <u>(85,833)</u>	\$ <u>(177,368)</u>	\$ <u>(32,253)</u>	\$ <u>(201,851)</u>	\$ <u>(208,692)</u>
Fiduciary Net Position as a % of Total Pension Liability	<u>110.27%</u>	<u>104.55%</u>	<u>105.66%</u>	<u>111.13%</u>	<u>101.98%</u>	<u>111.90%</u>	<u>111.32%</u>
County's Covered-Employee Payroll	\$ <u>433,449</u>	\$ <u>445,916</u>	\$ <u>458,931</u>	\$ <u>403,086</u>	\$ <u>444,244</u>	\$ <u>539,853</u>	\$ <u>560,432</u>
Net Pension Asset as a % of Covered Employee Payroll	<u>-32.95%</u>	<u>-14.82%</u>	<u>-18.70%</u>	<u>-44.00%</u>	<u>-7.26%</u>	<u>-37.39%</u>	<u>-37.24%</u>

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

The accompanying notes are an integral part of this statement.

COTTLE COUNTY, TEXAS

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 30,223	\$ 30,223	\$ -	\$ 431,757	0.07
2016	32,561	32,561	-	465,157	0.07
2017	28,397	28,397	-	405,676	0.07
2018	29,056	29,056	-	415,086	0.07
2019	37,130	37,130	-	530,429	0.07
2020	38,984	38,984	-	556,915	0.07
2021	41,173	41,173	-	588,188	0.07

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

The accompanying notes are an integral part of this statement.

COTTLE COUNTY, TEXAS

Exhibit B-3

**BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	(Unaudited) Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property Taxes	\$ 1,100,700	\$ 1,100,700	\$ 1,085,676	\$ (15,024)
Other Taxes	5,000	5,000	13,524	8,524
Intergovernmental Revenue and Grants	46,719	46,718	121,692	74,974
Charges for Services	60,150	60,150	88,433	28,283
Fines and Fees	54,400	54,400	96,294	41,894
Investment Earnings	2,000	2,000	30,902	28,902
Other Revenue	5,450	5,450	20,972	15,522
Total Revenues	<u>\$ 1,274,419</u>	<u>\$ 1,274,418</u>	<u>\$ 1,457,493</u>	<u>\$ 183,075</u>
Expenditures:				
Current:				
General Government	\$ 359,224	\$ 356,102	\$ 309,579	\$ 46,523
Judicial Administration	213,200	214,760	210,504	4,256
Financial Administration	127,184	128,745	123,957	4,788
Public Facilities	115,996	115,996	107,564	8,432
Public Safety	204,642	204,642	194,885	9,757
EMS	234,322	234,322	220,666	13,656
Extension Service	19,851	19,851	7,081	12,770
Total Expenditures	<u>\$ 1,274,419</u>	<u>\$ 1,274,418</u>	<u>\$ 1,174,236</u>	<u>\$ 100,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,257</u>	<u>\$ 283,257</u>
Other Financing Sources:				
Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 293,257	\$ 293,257
Fund Balances - Beginning	<u>2,443,835</u>	<u>2,443,835</u>	<u>2,443,835</u>	
Fund Balances - Ending	<u>\$ 2,443,835</u>	<u>\$ 2,443,835</u>	<u>\$ 2,737,092</u>	<u>\$ 293,257</u>

COTTLE COUNTY, TEXAS

Exhibit B-4

BUDGETARY COMPARISON - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	(Unaudited) Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property Taxes	\$ 304,598	\$ 304,598	\$ 334,903	\$ 30,305
License and Permits	64,000	64,000	67,119	3,119
Intergovernmental Revenue and Grants	28,000	28,000	46,676	18,676
Fines and Fees	4,000	4,000	11,969	7,969
Investment Earnings			2,705	2,705
Other Revenue			199	199
Total Revenues	<u>\$ 400,598</u>	<u>\$ 400,598</u>	<u>\$ 463,571</u>	<u>\$ 62,973</u>
Expenditures:				
Current:				
Road and Bridge	\$ 390,598	\$ 390,598	\$ 425,344	\$ (34,746)
Total Expenditures	<u>\$ 390,598</u>	<u>\$ 390,598</u>	<u>\$ 425,344</u>	<u>\$ (34,746)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 38,227</u>	<u>\$ 28,227</u>
Other Financing Sources (Uses):				
Transfer (Out)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ 0
Sale of Real and Personal Property			9,865	9,865
Total Other Financing Sources (Uses)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (135)</u>	<u>\$ 9,865</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 38,092	\$ 38,092
Fund Balances - Beginning	<u>508,749</u>	<u>508,749</u>	<u>508,749</u>	<u></u>
Fund Balances - Ending	<u>\$ 508,749</u>	<u>\$ 508,749</u>	<u>\$ 546,841</u>	<u>\$ 38,092</u>

COTTLE COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

There were new inflation, mortality, and other assumptions that affected measurement of the total pension liability during the measurement period.

B. BUDGETARY DATA

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

1. In the event the Commissioners' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.
2. Public hearings are conducted at the Cottle County Courthouse to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
4. Any budget amendments altering expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
5. Budgets for the various funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.
6. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
7. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended September 30, 2021.

