

COUNTY OF REAGAN
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 Reagan
P.O. Box 100
Big Lake, TX 76932-0100

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 Reagan, 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 for the primary government of the County of Reagan, 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 for the Texas County & District Retirement System on pages 3 through 7, 33 through 34, and 35 through 39, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2021, on our consideration of the County of Reagan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Reagan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Reagan's internal control over financial reporting and compliance.

Eckert & Company, LLP

February 12, 2021

REAGAN COUNTY COMMISSIONERS' COURT

Mike Vargas
Precinct # 1

Tommy Holt
Precinct # 3

**Reagan County Courthouse
PO Box 100
Big Lake, Texas 76932**

Tim Sellman
Precinct # 2

Jim O'Bryan
County Judge

Mary Loftin
Precinct # 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$50,786,958 (net position). Of this amount, \$27,708,097 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$4,306,733 or 9% as a result of current year operations. The County's statement of activities shows total revenues of \$17,279,368 and total expenses of \$12,972,635.

The total fund balance of the General Fund is \$23,249,514 which is an increase of \$1,136,719 or 5% compared to the prior year.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

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

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The financial statements include only the primary government of the County of Reagan, Texas. The financial statements do not include the Reagan County Health Facilities Development Corporation which is a component unit of the County of Reagan, Texas.

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, the Road and Bridge Fund, and the Help America Vote Act Grant Fund (HAVA), all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

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

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	\$ 28,142,194	\$ 25,375,603
Capital Assets	<u>22,647,571</u>	<u>21,104,622</u>
Total Assets	<u>\$ 50,789,765</u>	<u>\$ 46,480,225</u>
Liabilities	<u>\$ 2,807</u>	<u>\$ 0</u>
Net Position		
Net Investment in Capital Assets	\$ 22,647,571	\$ 21,104,622
Restricted	431,290	457,798
Unrestricted	<u>27,708,097</u>	<u>24,917,805</u>
Total Net Position	<u>\$ 50,786,958</u>	<u>\$ 46,480,225</u>

A large portion of the County's net position resulting from modified cash basis transactions (\$22,647,571) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$431,290) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$27,708,097) 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 \$4,306,733 and \$6,718,941 for the fiscal years ended September 30, 2020 and 2019, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 1,806,926	\$ 2,183,956
Operating Grants and Contributions	121,748	261,574
Capital Grants and Contributions	1,632,227	0
General Revenues		
Maintenance and Operations Taxes	10,023,221	9,292,264
Sales Taxes	2,733,688	5,279,611
Investment Earnings	287,640	542,197
Other Revenues	673,918	501,180
Total Revenues	<u>\$ 17,279,368</u>	<u>\$ 18,060,782</u>
Expenses		
General Government	\$ 2,632,964	\$ 2,686,915
Roads and Bridges	3,765,350	2,276,078
Justice System	1,112,403	1,110,346
Public Safety	4,018,301	3,820,582
Corrections and Rehabilitation	963,741	840,225
Public Health and Welfare	98,084	96,678
Culture and Recreation	381,792	511,017
Total Expenses	<u>\$ 12,972,635</u>	<u>\$ 11,341,841</u>
Change in Net Position	\$ 4,306,733	\$ 6,718,941
Net Position - Beginning	46,480,225	39,883,006
Prior Period Adjustments	<u>0</u>	<u>(121,722)</u>
Net Position - Ending	<u><u>\$ 50,786,958</u></u>	<u><u>\$ 46,480,225</u></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 \$28,139,387, an increase of \$2,763,784 or 11% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$23,249,514. All of this balance is unassigned.

Road and Bridge Fund \$4,247,404. This balance is committed to special programs.

Special Revenue Funds \$642,469. Of this balance \$211,179 is committed to special programs and \$431,290 is restricted by legislation.

General Fund Budget

The original budget for the General Fund was \$17,402,205, and the final amended budget was \$17,429,118 which represents a \$26,913 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 33 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$14,457,536 for the fiscal year 2021, which is a decrease of \$2,971,582 from the fiscal year 2020.

Capital Assets and Debt - Modified Cash Basis

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

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

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Jim O'Bryan, County Judge, County of Reagan, P.O. Box 100, Big Lake, TX 76932-0100.

Basic Financial Statements

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

	<u>Primary Government</u>
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 26,405,983
Due from State	1,651,561
Due from Other Funds	84,650
Capital Assets:	
Land	160,667
Infrastructure, Net	14,919,499
Buildings and Improvements, Net	4,007,406
Machinery and Equipment, Net	3,559,999
Total Assets	<u>50,789,765</u>
LIABILITIES	
Unearned Revenue	<u>2,807</u>
Total Liabilities	<u>2,807</u>
NET POSITION	
Net Investment in Capital Assets	22,647,571
Restricted by Legislation	431,290
Unrestricted	27,708,097
Total Net Position	<u><u>\$ 50,786,958</u></u>

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

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

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 2,632,964	\$ 575,745	\$ 48,616
Roads and Bridges	3,765,350	311,453	10,782
Justice System	1,112,403	436,034	-
Public Safety	4,018,301	448,791	14,138
Corrections and Rehabilitation	963,741	22,445	-
Public Health and Welfare	98,084	-	28,838
Culture and Recreation	381,792	12,458	19,374
TOTAL PRIMARY GOVERNMENT	\$ 12,972,635	\$ 1,806,926	\$ 121,748

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (2,008,603)
1,632,227	(1,810,888)
-	(676,369)
-	(3,555,372)
-	(941,296)
-	(69,246)
-	(349,960)
<u>\$ 1,632,227</u>	<u>(9,411,734)</u>

10,023,221
2,733,688
673,918
<u>287,640</u>
<u>13,718,467</u>
4,306,733
46,480,225
<u>\$ 50,786,958</u>

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

	General Fund	Road and Bridge Fund	HAVA Grant Fund
ASSETS			
Cash and Cash Equivalents	\$ 23,174,211	\$ 2,611,525	\$ 2,807
Due from State	-	1,632,227	-
Due from Other Funds	75,303	3,652	-
Total Assets	<u>\$ 23,249,514</u>	<u>\$ 4,247,404</u>	<u>\$ 2,807</u>
LIABILITIES			
Unearned Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,807</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,807</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted by Legislation	-	-	-
Committed Fund Balance:			
Committed for Special Programs	-	-	-
Committed for Roads and Bridges	-	4,247,404	-
Committed for Airport	-	-	-
Unassigned Fund Balance	23,249,514	-	-
Total Fund Balances	<u>23,249,514</u>	<u>4,247,404</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 23,249,514</u>	<u>\$ 4,247,404</u>	<u>\$ 2,807</u>

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

Other Funds		Total Governmental Funds	
\$	617,440	\$	26,405,983
	19,334		1,651,561
	5,695		84,650
\$	642,469	\$	28,142,194
\$	-	\$	2,807
	-		2,807
	431,290		431,290
	35,739		35,739
	-		4,247,404
	175,440		175,440
	-		23,249,514
	642,469		28,139,387
\$	642,469	\$	28,142,194

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

Total Fund Balances - Governmental Funds	\$ 28,139,387
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of this adjustment is to increase (decrease) net position.	21,104,622
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of this adjustment is to increase (decrease) net position.	3,214,808
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,671,859)
Net Position of Governmental Activities	<u><u>\$ 50,786,958</u></u>

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

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

	General Fund	Road and Bridge Fund	HAVA Grant Fund
REVENUES:			
Taxes	\$ 11,811,411	\$ 945,498	\$ -
Fees and Fines	817,428	280,771	-
Intergovernmental	650,503	1,632,227	-
Interest	261,411	26,229	-
Miscellaneous	488,978	36,222	-
Total Revenues	14,029,731	2,920,947	-
EXPENDITURES:			
Current:			
General Government	2,506,255	-	-
Roads and Bridges	-	5,137,404	-
Justice System	1,038,669	-	-
Public Safety	4,071,694	-	-
Corrections and Rehabilitation	838,929	-	-
Public Health and Welfare	96,669	-	-
Culture and Recreation	440,796	-	-
Total Expenditures	8,993,012	5,137,404	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,036,719	(2,216,457)	-
OTHER FINANCING SOURCES (USES):			
Transfers In	-	3,900,000	-
Transfers Out (Use)	(3,900,000)	-	-
Total Other Financing Sources (Uses)	(3,900,000)	3,900,000	-
Net Change in Fund Balances	1,136,719	1,683,543	-
Fund Balance - October 1 (Beginning)	22,112,795	2,563,861	-
Fund Balance - September 30 (Ending)	\$ 23,249,514	\$ 4,247,404	\$ -

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

		Total	
Other		Governmental	
Funds		Funds	
\$	-	\$	12,756,909
	112,878		1,211,077
	32,358		2,315,088
	-		287,640
	44,464		569,664
	189,700		17,140,378
	118,605		2,624,860
	10,800		5,148,204
	73,734		1,112,403
	34,822		4,106,516
	-		838,929
	1,415		98,084
	6,802		447,598
	246,178		14,376,594
	(56,478)		2,763,784
	-		3,900,000
	-		(3,900,000)
	-		-
	(56,478)		2,763,784
	698,947		25,375,603
\$	642,469	\$	28,139,387

COUNTY OF REAGAN
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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,763,784
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of this adjustment is to increase (decrease) net position.	3,214,808
Depreciation is not recognized as an expense in governmental funds. The net effect of this adjustment is to decrease net position.	(1,671,859)
Change in Net Position of Governmental Activities	<hr/> \$ 4,306,733 <hr/>

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

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 421,719
Due from Other Funds	13,545
	<hr/>
Total Assets	\$ 435,264
	<hr/>
LIABILITIES	
Due to Other Funds	\$ 98,195
Due to Other Governments	120,146
Due to Others	216,923
	<hr/>
Total Liabilities	\$ 435,264
	<hr/>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Reagan, 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 Reagan, Texas, was organized by an Act of the Texas Legislature in 1903. 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.

The financial statements include only the primary government of the County of Reagan, Texas, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Reagan County Health Facilities Development Corporation or the Reagan County Cultural Education Facilities Finance Corporation which are component units of the County of Reagan, Texas. Accounting principles generally accepted in the United States of America, as applied to the County's modified cash basis of accounting, require component units to be reported with the financial data of the County's primary government.

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

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

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 funds:

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.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

HAVA Grant Fund - This fund is a special revenue fund and is used to account for the Help America Vote Act funds.

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 REAGAN
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
Infrastructure	30

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. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave can be accumulated for a maximum of two years. Employees are paid for any unused vacation leave up to a maximum of two years upon separation from service. Sick leave can be accumulated and carried forward indefinitely. Employees are not paid for unused sick leave upon separation from service.

G. 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.

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 or Restricted by Legislation.

H. 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Fund Balances - Continued

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.

I. 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.

J. 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.

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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

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

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
TexPool	<u>\$ 22,896,380</u>	<u>100%</u>	38 Days	AAAm

Public Funds Investment Pools

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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

B. Interfund Receivables, Payables, and Transfers

1. 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>\$ 75,303</u>	<u>\$ 0</u>	Unremitted Fees
Major Special Revenue Funds			
Fiduciary Funds	<u>\$ 3,652</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 5,695</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 75,303	Unremitted Fees
Major Special Revenue Funds	0	3,652	Unremitted Fees
Nonmajor Governmental Funds	0	5,695	Unremitted Fees
Fiduciary Funds	<u>13,545</u>	<u>13,545</u>	Unremitted Fees
	<u>\$ 13,545</u>	<u>\$ 98,195</u>	
Totals	<u>\$ 98,195</u>	<u>\$ 98,195</u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Major Governmental Funds	<u>\$ 3,900,000</u>	Current Operations

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Due from Other Governments

The County participates in a state program from which it receives grant funds for infrastructure and equipment. Amounts due from the State for this program are summarized as follows:

Major Road and Bridge Fund - CTIF Grant	\$ 1,632,227
Nonmajor Airport Fund - RAMP Grant	<u>19,334</u>
Total	<u><u>\$ 1,651,561</u></u>

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>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 160,667	\$ 0	\$ 0	\$ 0	\$ 160,667
Buildings and Improvements	9,270,393	205,645	0	(315,868)	9,160,170
Machinery and Equipment	8,722,511	1,095,549	(726,875)	(17,078)	9,074,107
Infrastructure	<u>16,786,047</u>	<u>2,067,124</u>	<u>0</u>	<u>332,946</u>	<u>19,186,117</u>
Total Capital Assets Being Depreciated	<u>\$ 34,939,618</u>	<u>\$ 3,368,318</u>	<u>\$ (726,875)</u>	<u>\$ 0</u>	<u>\$ 37,581,061</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (4,836,098)	\$ (316,666)	\$ 0	\$ 0	\$ (5,152,764)
Machinery and Equipment	(5,427,135)	(660,338)	573,365	0	(5,514,108)
Infrastructure	<u>(3,571,763)</u>	<u>(694,855)</u>	<u>0</u>	<u>0</u>	<u>(4,266,618)</u>
Total Accumulated Depreciation	<u>\$ (13,834,996)</u>	<u>\$ (1,671,859)</u>	<u>\$ 573,365</u>	<u>\$ 0</u>	<u>\$ (14,933,490)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 21,104,622</u></u>	<u><u>\$ 1,696,459</u></u>	<u><u>\$ (153,510)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 22,647,571</u></u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 168,236
Roads and Bridges	944,128
Public Safety	313,436
Corrections and Rehabilitation	148,020
Culture and Recreation	<u>98,039</u>
Total	<u><u>\$ 1,671,859</u></u>

COUNTY OF REAGAN
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:

	Special Revenue Funds
HAVA Grant Fund	\$ 2,807

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 12.76% for the months of the accounting year in 2019 and 13.17% 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.

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

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.

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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%

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.

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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.

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.

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of December 31, 2018	\$ 18,906,392	\$ 16,327,667	\$ 2,578,725
Changes for the Year:			
Service Cost	\$ 740,109	\$ 0	\$ 740,109
Interest on Total Pension Liability	1,559,295	0	1,559,295
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	79,592	0	79,592
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(70,085)	(70,085)	0
Benefit Payments	(737,525)	(737,525)	0
Administrative Expenses	0	(14,595)	14,595
Member Contributions	0	339,467	(339,467)
Net Investment Income	0	2,681,175	(2,681,175)
Employer Contributions	0	618,799	(618,799)
Other	0	7,826	(7,826)
Net Changes	\$ 1,571,386	\$ 2,825,062	\$ (1,253,676)
Balance as of December 31, 2019	\$ 20,477,778	\$ 19,152,729	\$ 1,325,049

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.

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 23,256,011	\$ 20,477,778	\$ 18,154,608
Fiduciary Net Position	19,152,729	19,152,729	19,152,729
Net Pension Liability (Asset)	\$ 4,103,282	\$ 1,325,049	\$ (998,121)

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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	\$ 740,109
Interest on Total Pension Liability	1,559,295
Effect of Plan Changes	0
Administrative Expenses	14,595
Member Contributions	(339,467)
Expected Investment Return Net of Investment Expenses	(1,328,255)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(28,759)
Recognition of Assumption Changes or Inputs	34,259
Recognition of Investment Gains or Losses	115,952
Other	<u>(7,826)</u>
Total Pension Expense (Income)	<u>\$ 759,903</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	\$ 66,327	\$ 79,342
Changes in Assumptions	14,531	-
Net Differences Between Projected and Actual Earnings	-	443,497
Contributions Made Subsequent to Measurement Date	<u>507,770</u>	<u>-</u>
Totals	<u>\$ 588,628</u>	<u>\$ 522,839</u>

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

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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	\$ (129,552)
2021	(122,849)
2022	59,909
2023	(262,752)
2024	13,263
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. Self-Insurance

The County has entered into an interlocal participation agreement with the West Texas Rural Counties Association Insurance Pool (the Pool). The Pool is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide assistance in financing each member's risk of loss pursuant to the provisions of Article 715c, Texas Revised Civil Statutes Annotated, and Chapter 172 of the Local Government Code. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The County's participation in the Pool is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid to the Pool. The Pool is required to provide stop-loss coverage and/or maintain reserves to ensure that the participation of the County is maintained on a nonassessable basis at all times. The County made contributions to the Pool for the coverage selected based upon rates established by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience. The Pool may impose a surcharge on the County as a condition of continued participation in the Pool when the County has a higher loss experience than identified in the underwriting standards. The County's participation in the Pool consists of the Risk Management Pool which provides coverage for property damage, general liability, law enforcement liability, automobile liability and physical damage, public officials' liability, mobile equipment coverage, workers' compensation, blanket surety bond coverage, and airport coverage.

C. Tax Abatements

The County has entered into a contractual agreement with a property owner in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreement are limited by the guidelines and criteria established by the County Commissioners. As required by section 312.205 of the Texas Tax Code, if the Owner default remains after all applicable notice and cure periods outlined in the Agreement, the County shall be entitled to cancel

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

IV. OTHER INFORMATION - Continued

C. Tax Abatements - Continued

the Agreement and recover the property tax revenue abated under the Agreement through the cancellation date, less all payments made by the Owner to the County under the Agreement. At September 30, 2020, the County had established an abatement agreement with the following property owner:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2019 Appraised Values	2019 Taxable Values	2019 Abated Values	2019 Taxes Levied	2019 Taxes Abated
Santa Rita Wind Energy, LLC	2/22/2016	2018	2027	<u>\$ 231,675,950</u>	<u>\$ 0</u>	<u>\$ 231,675,950</u>	<u>\$ 0</u>	<u>\$ 466,489</u>

During fiscal year 2020, Santa Rita Wind Energy, LLC, paid the County a supplemental payment of \$420,000.

D. Litigation

The County is one of several defendants in a lawsuit involving the closing of an old county road which is no longer maintained by the County. This lawsuit is still pending, and the results cannot reasonably be determined at this time.

E. Subsequent Events

The County's management has evaluated subsequent events through February 12, 2021, the date which the financial statements were available for issue.

Other Information

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 13,274,326	\$ 13,274,326	\$ 11,811,411	\$ (1,462,915)
Fees and Fines	816,130	816,130	817,428	1,298
Intergovernmental	735,588	757,501	650,503	(106,998)
Interest	300,000	300,000	261,411	(38,589)
Miscellaneous	432,000	437,000	488,978	51,978
Total Revenues	15,558,044	15,584,957	14,029,731	(1,555,226)
EXPENDITURES:				
Current:				
General Government	4,897,919	4,897,919	2,506,255	2,391,664
Justice System	1,216,333	1,216,333	1,038,669	177,664
Public Safety	4,498,535	4,512,536	4,071,694	440,842
Corrections and Rehabilitation	943,107	936,790	838,929	97,861
Public Health and Welfare	97,000	97,000	96,669	331
Culture and Recreation	542,184	561,413	440,796	120,617
Total Expenditures	12,195,078	12,221,991	8,993,012	3,228,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,362,966	3,362,966	5,036,719	1,673,753
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(5,207,127)	(5,207,127)	(3,900,000)	1,307,127
Total Other Financing Sources (Uses)	(5,207,127)	(5,207,127)	(3,900,000)	1,307,127
Net Change in Fund Balances	(1,844,161)	(1,844,161)	1,136,719	2,980,880
Fund Balance - October 1 (Beginning)	22,112,795	22,112,795	22,112,795	-
Fund Balance - September 30 (Ending)	\$ 20,268,634	\$ 20,268,634	\$ 23,249,514	\$ 2,980,880

COUNTY OF REAGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 965,825	\$ 965,825	\$ 945,498	\$ (20,327)
Fees and Fines	300,000	300,000	280,771	(19,229)
Intergovernmental	-	-	1,632,227	1,632,227
Interest	50,000	50,000	26,229	(23,771)
Miscellaneous	45,000	45,000	36,222	(8,778)
Total Revenues	1,360,825	1,360,825	2,920,947	1,560,122
EXPENDITURES:				
Roads and Bridges	6,567,952	6,567,952	5,137,404	1,430,548
Total Expenditures	6,567,952	6,567,952	5,137,404	1,430,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,207,127)	(5,207,127)	(2,216,457)	2,990,670
OTHER FINANCING SOURCES (USES):				
Transfers In	5,207,127	5,207,127	3,900,000	(1,307,127)
Total Other Financing Sources (Uses)	5,207,127	5,207,127	3,900,000	(1,307,127)
Change in Fund Balance	-	-	1,683,543	1,683,543
Fund Balance - October 1 (Beginning)	2,563,861	2,563,861	2,563,861	-
Fund Balance - September 30 (Ending)	\$ 2,563,861	\$ 2,563,861	\$ 4,247,404	\$ 1,683,543

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability			
Service Cost	\$ 740,109	\$ 679,337	\$ 661,620
Interest (on the Total Pension Liability)	1,559,295	1,444,851	1,338,363
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	79,593	(32,614)	(60,818)
Changes of Assumptions	-	-	29,063
Benefit Payments, Including Refunds of Employee Contributions	(807,611)	(673,905)	(668,742)
Net Change in Total Pension Liability	\$ 1,571,386	\$ 1,417,669	\$ 1,299,486
Total Pension Liability - Beginning	18,906,392	17,488,723	16,189,237
Total Pension Liability - Ending	\$ 20,477,778	\$ 18,906,392	\$ 17,488,723
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 618,799	\$ 597,574	\$ 560,872
Contributions - Employee	339,467	320,293	307,207
Net Investment Income	2,681,175	(302,628)	2,066,181
Benefit Payments, Including Refunds of Employee Contributions	(807,611)	(673,905)	(668,742)
Administrative Expense	(14,594)	(13,116)	(10,900)
Other	7,826	8,915	2,569
Net Change in Plan Fiduciary Net Position	\$ 2,825,062	\$ (62,867)	\$ 2,257,187
Plan Fiduciary Net Position - Beginning	16,327,667	16,390,534	14,133,346
Plan Fiduciary Net Position - Ending	\$ 19,152,729	\$ 16,327,667	\$ 16,390,533
C. Net Pension Liability	\$ 1,325,049	\$ 2,578,725	\$ 1,098,190
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.53%	86.36%	93.72%
E. Covered Payroll	\$ 4,849,530	\$ 4,575,607	\$ 4,388,674
F. Net Pension Liability as a Percentage of Covered Payroll	27.32%	56.36%	25.02%

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	
\$	677,217	\$	576,164	\$	492,457
	1,217,401		1,124,834		1,030,281
	-		(113,165)		-
	(135,954)		(84,725)		106,097
	-		147,072		-
	(523,895)		(556,085)		(483,687)
\$	1,234,769	\$	1,094,095	\$	1,145,148
	14,954,468		13,860,373		12,715,225
\$	16,189,237	\$	14,954,468	\$	13,860,373
\$	581,591	\$	562,674	\$	510,038
	307,255		283,565		241,888
	950,364		(64,233)		786,890
	(523,895)		(556,085)		(483,687)
	(10,328)		(9,151)		(9,286)
	9,247		25,975		21,152
\$	1,314,234	\$	242,745	\$	1,066,995
	12,819,112		12,576,367		11,509,372
\$	14,133,346	\$	12,819,112	\$	12,576,367
\$	2,055,891	\$	2,135,356	\$	1,284,006
	87.30%		85.72%		90.74%
\$	4,389,359	\$	4,050,923	\$	3,455,542
	46.84%		52.71%		37.16%

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

	2020	2019	2018
Actuarially Determined Contribution	\$ 669,958	\$ 609,513	\$ 585,600
Contributions in Relation to the Actuarially Determined Contributions	(669,958)	(609,513)	(585,600)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 5,126,567	\$ 4,749,246	\$ 4,507,560
Contributions as a Percentage of Covered Employee Payroll	13.07%	12.83%	12.99%

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

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

	2017	2016	2015	2014
\$	565,113	\$ 582,518	\$ 561,052	\$ 456,534
	(565,113)	(582,518)	(561,052)	(456,534)
\$	-	\$ -	\$ -	\$ -
\$	4,381,561	\$ 4,345,548	\$ 3,977,936	\$ 3,269,831
	12.90%	13.40%	14.10%	13.96%

COUNTY OF REAGAN
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.

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 Reagan
P.O. Box 100
Big Lake, TX 76932-0100

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 Reagan, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Reagan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Reagan's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Reagan's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Reagan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

February 12, 2021



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

The Honorable County Judge
and Commissioners' Court
County of Reagan
P.O. Box 100
Big Lake, TX 76932-0100

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

Eckert & Company, LLP

February 12, 2021

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

A. Summary of Auditor's Results

Financial Statements

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

State Awards

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

Identification of Major Program

Grant	
<u>Number</u>	<u>Name of State Program</u>
	Texas Department of Transportation
CTIF-02-192	County Transportation Infrastructure Fund Grant
M2007BGLK	RAMP Grant

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

B. Findings - Financial Statements Audit

None

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

None

D. Findings - State Compliance

None

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

State Grantor/ Program Title	State Grantors Number	State Expenditures
Texas Department of Transportation		
County Transportation Infrastructure Fund Grant	CTIF-02-192	\$ 1,632,227
RAMP Grant	M2007BGLK	<u>19,334</u>
Total Expenditures of State Awards		<u><u>\$ 1,651,561</u></u>

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

Note A - Basis of Accounting

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

Note B - Basis of Presentation

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