

BORDEN COUNTY TEXAS
COMPREHENSIVE ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2019

AUDITED BY DON H STEPHENS CPA PC

BORDEN COUNTY TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019

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Elected positions

The following are elected positions for municipal governments according the Texas Constitution.

Position	Term length	Elected in
County commissioner (4)	4 years, staggered	November
County judge	4 years	November
County clerk	4 years	November
County attorney	4 years	November
County court at law judge	4 years	November
County sheriff	4 years	November
County treasurer	4 years	November
County constable	4 years	November
Tax assessor-collector	4 years	November
Mayor	4 years	November
District clerk	4 years	November
Justice of the peace	4 years	November

Appointed positions

8/26/2020

Texas local officials - Ballotpedia

Position	Term / contract length	Appointed by	Who cannot serve
State board of trustees (9)	6 years	Governor	Senate must confirm
County auditor	2 years	District judges	Must be an accountant
County purchasing agent	2 years	Board defined by county	Must be recognized by a national purchasing association
County extension agent	Varies	Commissioners court	Master's degree in agriculture
County engineer	Varies	Commissioners court	Texas registered professional engineer
District attorney	4 years	Governor	Lawyer able to practice in Texas

BORDEN COUNTY TEXAS
COMPREHENSIVE ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2019

DISTRICT COURT

ERNIE B ARMSTRONG
TERRY HANSHEW
JANNA UNDERWOOD
BEN SMITH

DISTRICT JUDGE
COURT REPORTER
CO&DISTRICT CLERK
DISTRICT ATTORNEY

BORDEN COUNTY

ROSS SHARP
MONTE SMITH
RANDY ADCOCK
ERNEST REYES
GREG STANSELL
MARLOW HOLBROOKS
BENNY ALLISON
SHAWNA GASS
JANE JONES

COUNTY JUDGE
COMMISSIONER P#1
COMMISSIONER P3#2
COMMISSIONER P #3
COMMISSIONER P #4
COUNTY ATTORNEY
SHERIFF & TAX
TREASURER
JUSTICE OF PEACE

REPORT OF INDEPENDENT AUDITORS'

*To: HON JUDGE & COMMISSIONERS COURT
BORDEN COUNTY TEXAS
GAIL, TEXAS*

Report on the Financial Statements

We have audited the accompanying financial statements of BORDEN COUNTY TEXAS, which comprise the balance sheets as of December 31, 2011, and the related statements of income, changes in government equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U. S. generally accepted accounting principles; this includes 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BORDEN COUNTY as of December 31, 2019, and the results of their operations and their cash flows for the years then ended in accordance with U. S. generally accepted accounting principles.

Report of Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Don H Stephens CPA PC
DON H STEPHENS CPA PC
LAMESA, Texas
MAY 31, 2020

Check List of Audit Requirements

Brief analysis of audit work performed

- 1. Meet with County Judge**
- 2. Meet with other County Officials to schedule work in their department**
- 3. If more than one auditor introduce the other auditor to County Officials**
- 4. Make a brief budget of estimated time to be spent on each department**
- 5. Obtain signature on engagement letter**
- 6. Discuss fee with appropriate official & how many copies are required**
- 7. Perform the required audit work**
- 8. Write audit report**
- 9. Schedule time to present the audit report to the Commissioners Court**
- 10. Sent Bill for Audit at beginning of next month.**

BORDEN COUNTY ISD PERMANENT SCHOOL FUND IS NOT INCLUDED IN THIS AUDIT REPORT. THE COMMISSIONERS COURT HAS THE RESPONSIBILITY FOR OVER SEEING THIS FUND, BUT THE FUND BELONGS TO THE BORDEN COUNTY INDEPENDENT SCHOOL DISTICT.

BORDEN COUNTY TEXAS

STATEMENT OF NET ASSETS

DECEMBER 31 2019

ASSETS

CASH IN BANK & CERTIFICATES OF DEPOSIT	\$	10,517,879
TAXES RECEIVABLE NET ON DECEMBER 31, 2019		507,442
NET PENSION ASSETS - TCDRS		161,134
CAPITAL ASSETS-WATER RIGHTS		2,006,975
BUILDINGS AND EQUIPMENT		1,309,722
EVENT CENTER		2,376,054
ROADS		6,800,000
MACHINERY AND EQUIPMENT		3,586,028
LAND		10,200
WATER IMPROVEMENTS		444,186
TOTAL	\$	44,413,919

The accompanying notes are an integral part of the financial statements

**BORDEN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Primary Government	EXPENSES \$	REVENUES \$	GRANTS \$	NET \$
JUDICIAL	48,442		38,500	
FINANCIAL ADMIN	7,500			
LAW ENFORCEMENT	405,284	122,033	25,200	
HEALTH, SAFETY & CONSERVATION	356,947			
GEN ADMINISTRATION	20,400			
NON DEPARTMENTAL	525,143	362,833		
PRECINCT EXPENSES	72,291			
EVENT CENTER	1,206,618	5,958		
LAND FILL	18,621	200		
STATE FEES	133,839			
Total Gov't Activities	69,147	12,320		
	2,864,232	393,914	63,700	
Business Type Activities				
WATER	83,760			
BOND INTEREST	12,047			
Donations -Hist	1,019			
Total Primary Government	2,961,058	393,914		
GENERAL REVENUES				
SIN KING FUND				
ABATEMENT			480,046	
PROPERTY TAXES			249,657	
AUTO REGISTRATION			3,481,476	
INVESTMENT EARNINGS			45,788	
GROSS WEIGHTS-STATE			26,172	
REFUND P #4			45,907	
			107,622	
CHANGE IN NET ASSETS				5,004,112

borden2019
Balance Sheet
As of December 31, 2019

	<u>Dec 31, 19</u>
ASSETS	
Current Assets	
Checking/Savings	
CASH-PROSPERITY BANK	7,282,080.40
Total Checking/Savings	<u>7,282,080.40</u>
Total Current Assets	<u>7,282,080.40</u>
TOTAL ASSETS	<u><u>7,282,080.40</u></u>
LIABILITIES & EQUITY	
Equity	
UNRESTRICTED-GENERAL	5,719,072.40
Net Income	1,563,008.00
Total Equity	<u>7,282,080.40</u>
TOTAL LIABILITIES & EQUITY	<u><u>7,282,080.40</u></u>

BORDEN COUNTY, TEXAS YEAR ENDED DECEMBER 31, 2019

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF ACTIVITIES

FUND BALANCE DECEMBER 31, 2019	\$44,413,919
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NO ADJUSTMENTS REQUIRED

borden2019
Profit & Loss
 January through December 2019

Jan - Dec 19

Ordinary Income/Expense

Income

ADVALOREM TAX	3,481,476.00
ADVALOREM TAX-SINKING FUND	480,046.00
COUNTY CLERK FEES	129,673.00
DONATIONS-HISTORICAL FUND	2,971.00
GROSS WEIGHT FEES	45,907.00
INTEREST INCOME	26,572.00
JP FINES	122,033.00
LATERAL ROAD INCOME	12,320.00
MACHINE HIRE	5,958.00
REFUND-PRE 4	107,622.00
SECURITY FEES	0.00
STATE REPORT-COUNTY ATTORNEY	38,500.00
STATE REPORT-COUNTY JUDGE	25,200.00
VEHICLE REGISTRATION	45,788.00

Total Income

4,524,066.00

Gross Profit

4,524,066.00

Expense

ADMIN ASSISTANT-COUNTY JUDGE	35,591.00
ADMINISTRATIVE EXPENSE	11,651.00
AMBULANCE & EMS	13,642.00
APPRAISAL DISTRICT	101,344.00
AUDIT	7,500.00
AUTOPOSY	8,115.00
BOND INTEREST	12,047.00
BOND PRINCIPAL	317,000.00
BONDS	2,796.00
BUILDING REPAIRS	14,142.00
Computer and Internet Expenses	47,738.00
CONTINGENCY	8,619.00
COUNTY VEHICLE EXPENSE	2,137.00
CUSTODIAL EXPENSE	35,626.00
DISTRICT JUDGE	1,200.00
DRUG TESTING	626.00
ELECTION EXPENSE	7,132.00
ELECTRIC	22,394.00
EQUIPMENT-PRECINCTS	268,762.00
EQUIPMENT RENTAL	2,112.00
EVENT CENTER EXPENSE	18,621.00
EXPENSE-HISTORICAL FUND	1,019.00
EXTENSION OFFICE	38,110.00
FEES-EXPENSE	9,910.00
FLUVANNA VFD	5,000.00
FUEL-PRECINCTS	33,329.00
GAS-SHERIFF	13,173.00
GRAND JURORS	2,340.00
GROSS WEIGHT EXPENSE	30,371.00
HEALTH INSURANCE	185,436.00
HEALTH NEXPENSE	102,854.00
INDIGENT DEFENCE	2,800.00
INDIGENT HEALTH CARE	2,310.00
Insurance Expense	
Worker's Compensation	10,999.00

Total Insurance Expense

10,999.00

borden2019
Profit & Loss
 January through December 2019

	Jan - Dec 19
IT SERVICES	12,949.00
JUVENILE PROBATION BOARD	2,400.00
LAB FEES	8,112.00
LABOR-PRECINCTS	140,453.00
LANDFILL	133,839.00
LAW LIBRARY	27,820.00
LEASE-PRECINCT BLDG	3,000.00
LEGAL NOTICES	428.00
LIABILITY INSURANCE	26,297.00
MHMR	1,250.00
O'DONNELL VFD	2,000.00
Office Supplies	11,637.00
OFFICER STATE FEES	38,776.00
PART TIME CO CLERK	14,379.00
PARTS AND REPAIR	101,219.00
Postage and Delivery	3,617.00
PRECINCT EXPENSE	49,395.00
PRISONER HOUSING	11,410.00
PROPANE	4,036.00
RENT-RADIO TOWER	500.00
Repairs and Maintenance	11,049.00
RETIREMENT	123,506.00
ROAD CONSTRUCTION	103,057.00
SALARIES-COMMISSIONERS	110,816.00
SALARY-CDC	41,724.00
SALARY-CJ	65,408.00
SALARY-COUNTY ATTORNEY	40,000.00
SALARY-COURT REPORTER	7,440.00
SALARY-DEPUTY COUNTY CLERK	35,591.00
SALARY-EMC	6,686.00
SALARY-JP	15,000.00
SALARY-SHERIFF	52,108.00
SHERIFF-DEPUTIES	139,430.00
SHERIFF-PART TIME	1,416.00
SOFTWARE	10,928.00
SUPPLIES	491.00
TAXES—	61,347.00
TELEPHONE & INTERNET	11,655.00
TOOLS AND SUPPLIES	13,527.00
TRAINING	19,618.00
TRAPPER SALARY	20,400.00
Travel Expense	220.00
UNEMPLOYMENT COMPENSATION	2,740.00
VEHICLE ALLOWANCE-COMMISSIONERS	10,080.00
VICTIM SERVICES	1,200.00
VOTING HOUSE RENT	1,900.00
WATER-EMPLOYEE 1	38,419.00
WATER-EMPLOYEE 2	18,096.00
WATER TREATMENT SUPPLIES	23,390.00
WATER VEHICLE-EXPENSE	3,855.00
Total Expense	2,961,058.00
Net Ordinary Income	1,563,008.00
Net Income	1,563,008.00

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Budget vs. Actual by Program/Projects
January through December 2019

	Total unclassified		
	Jan - Dec 19	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
ADVALOREM TAX	3,481,476.00	0.00	3,481,476.00
ADVALOREM TAX-SINKING FUND	480,046.00	0.00	480,046.00
COUNTY CLERK FEES	129,673.00	0.00	129,673.00
DONATIONS-HISTORICAL FUND	2,971.00	0.00	2,971.00
GROSS WEIGHT FEES	45,907.00	0.00	45,907.00
INTEREST INCOME	26,572.00	0.00	26,572.00
JP FINES	122,033.00	0.00	122,033.00
LATERAL ROAD INCOME	12,320.00	0.00	12,320.00
MACHINE HIRE	5,958.00	0.00	5,958.00
REFUND-PRE 4	107,622.00	0.00	107,622.00
SECURITY FEES	0.00	0.00	0.00
STATE REPORT-COUNTY ATTORNEY	38,500.00	0.00	38,500.00
STATE REPORT-COUNTY JUDGE	25,200.00	0.00	25,200.00
VEHICLE REGISTRATION	45,788.00	0.00	45,788.00
Total Income	4,524,066.00	0.00	4,524,066.00
Gross Profit	4,524,066.00	0.00	4,524,066.00
Expense			
ADMIN ASSISTANT-COUNTY JUDGE	35,591.00	0.00	35,591.00
ADMINISTRATIVE EXPENSE	11,651.00	0.00	11,651.00
AMBULANCE & EMS	13,642.00	0.00	13,642.00
APPRAISAL DISTRICT	101,344.00	0.00	101,344.00
AUDIT	7,500.00	0.00	7,500.00
AUTOPOSY	8,115.00	0.00	8,115.00
BOND INTEREST	12,047.00	0.00	12,047.00
BOND PRINCIPAL	317,000.00	0.00	317,000.00
BONDS	2,796.00	0.00	2,796.00
BUILDING REPAIRS	14,142.00	0.00	14,142.00
Computer and Internet Expenses	47,738.00	0.00	47,738.00
CONTINGENCY	8,619.00	0.00	8,619.00
COUNTY VEHICLE EXPENSE	2,137.00	0.00	2,137.00
CUSTODIAL EXPENSE	35,626.00	0.00	35,626.00
DISTRICT JUDGE	1,200.00	0.00	1,200.00
DRUG TESTING	626.00	0.00	626.00
ELECTION EXPENSE	7,132.00	0.00	7,132.00
ELECTRIC	22,394.00	0.00	22,394.00
EQUIPMENT-PRECINCTS	268,762.00	0.00	268,762.00
EQUIPMENT RENTAL	2,112.00	0.00	2,112.00
EVENT CENTER EXPENSE	18,621.00	0.00	18,621.00
EXPENSE-HISTORICAL FUND	1,019.00	0.00	1,019.00
EXTENSION OFFICE	38,110.00	0.00	38,110.00
FEES-EXPENSE	9,910.00	0.00	9,910.00
FLUYANNA VFD	5,000.00	0.00	5,000.00
FUEL-PRECINCTS	33,329.00	0.00	33,329.00
GAS-SHERIFF	13,173.00	0.00	13,173.00
GRAND JURORS	2,340.00	0.00	2,340.00
GROSS WEIGHT EXPENSE	30,371.00	0.00	30,371.00
HEALTH INSURANCE	185,436.00	0.00	185,436.00
HEALTH NEXPENSE	102,854.00	0.00	102,854.00
INDIGENT DEFENCE	2,800.00	0.00	2,800.00
INDIGENT HEALTH CARE	2,310.00	0.00	2,310.00
Insurance Expense			
Worker's Compensation	10,999.00	0.00	10,999.00
Total Insurance Expense	10,999.00	0.00	10,999.00

BORDEN COUNTY - 2019 BUDGET

GENERAL FUND (con't)

EXPENDITURES	ACTUAL	BUDGETED	BUDGETED
	2017	2018	2019
COUNTY WATER			
ADMINISTRATIVE FEES-CW	\$578.00	\$4,000.00	\$4,000.00
CHLORINE	\$2,000.00	/	/
CONSTRUCTION-CW	\$0.00	\$0.00	\$0.00
DECEMBER SALARY INCREMENT-CW	\$500.00	\$500.00	\$1,000.00
DRINKING WATER	\$500.00	\$500.00	\$500.00
ENGINEERING FEES-CW	\$10,476.00	\$10,000.00	\$5,000.00
IMPORT FEES (MUNICIPAL)	\$0.00	\$750.00	/
LABORATORY TESTING FEES	\$20,000.00	\$20,000.00	\$20,000.00
PARTS & REPAIRS-CW	\$37,390.00	\$50,000.00	\$50,000.00
POSTAGE-CW	\$700.00	\$700.00	\$700.00
REFUND-CW	\$1,945.00	\$1,000.00	\$1,000.00
TOOLS & SUPPLIES-CW	\$5,000.00	\$5,000.00	\$5,000.00
TRAVEL/TRAINING-CW	\$3,000.00	\$3,000.00	\$4,000.00
UTILITIES-ELECTRIC-CW	\$16,000.00	\$16,000.00	\$16,000.00
NEW FOR 2019 VEHICLE	/	/	/
FUEL, OIL, GREASE-CW	/	/	\$3,000.00
PARTS & REPAIRS-CW	/	/	\$1,000.00
TIRES-CW	/	/	\$500.00
VEHICLE PURCHASE-CW	/	/	\$0.00
WATER MAINTENANCE EMPLOYEE I <small>includes \$400 longevity</small>	/	/	\$44,515.00
WATER MAINTENANCE EMPLOYEE II <small>includes \$600 longevity</small>	\$17,100.00	\$16,998.00	\$17,600.00
WATER TREATMENT SUPPLIES	/	\$30,000.00	\$30,000.00
TOTAL COUNTY WATER	\$115,189.00	\$158,448.00	\$203,815.00

BORDEN COUNTY - 2019 BUDGET

GENERAL FUND (con't)

EXPENDITURES	ACTUAL	BUDGETED	BUDGETED
	2017	2018	2019
EMPLOYEE BENEFITS			
<u>EMPLOYEES INSURANCE-GEB</u>	<u>\$77,210.00</u>	<u>\$82,000.00</u>	<u>\$87,000.00</u>
<u>RETIREMENT-GEB</u>	<u>\$26,196.00</u>	<u>\$33,000.00</u>	<u>\$33,000.00</u>
<u>SOCIAL SECURITY-GEB</u>	<u>\$17,785.00</u>	<u>\$19,000.00</u>	<u>\$18,000.00</u>
TOTAL EMPLOYEE BENEFITS	\$121,191.00	\$134,000.00	\$138,000.00

BORDEN COUNTY - 2019 BUDGET

GENERAL FUND (con't)

EXPENDITURES	ACTUAL	BUDGETED	BUDGETED
	2017	2018	2019
COURTHOUSE & BUILDINGS			
CELL PHONE ALLOWANCE-CH		\$540.00	\$540.00
COUNTY VEHICLE			
FUEL, OIL, GREASE-CH	\$3,660.00	\$3,000.00	\$1,500.00
PARTS & REPAIRS-CH	\$983.00	\$1,000.00	\$500.00
TIRES-CH	\$19.00	\$500.00	\$500.00
VEHICLE PURCHASE-CH			\$0.00
CUSTODIAL SUPPLIES-CH	\$2,632.00	\$2,500.00	\$2,500.00
DECEMBER SALARY INCREMENT-CH	\$1,000.00	\$1,000.00	\$1,000.00
EQUIPMENT-CH	\$0.00	\$1,800.00	\$1,000.00
HOUSING MAINTENANCE			\$500.00
LANDFILL	\$117,731.00	\$115,000.00	\$120,000.00
MAINTENANCE & REPAIR-CH (GROUNDS)	\$2,975.00	\$5,000.00	\$5,000.00
OFFICE SUPPLIES-CH	\$5,452.00	\$5,000.00	\$5,000.00
PARTS & REPAIRS-CH	\$99,234.00	\$8,000.00	\$8,000.00
PEST CONTROL-CH	\$888.00	\$1,100.00	\$1,200.00
PRISONER EXPENSE/HOUSING	\$10,080.00	\$15,000.00	\$30,000.00
RENT, RADIO TOWER	\$0.00	\$550.00	\$550.00
SALARY, CUSTODIAL EMPLOYEE-CH <small>(includes \$1200 incentive)</small>	\$28,970.00	\$34,795.00	\$34,795.00
TOOLS & SUPPLIES-CH	\$3,112.00	\$6,000.00	\$5,000.00
UTILITIES-			
ELECTRIC-CH	\$12,756.00	\$22,000.00	\$20,000.00
PROPANE-CH	\$2,535.00	\$3,000.00	\$5,000.00
TELEPHONE & INTERNET-CH	\$470.00	\$1,000.00	\$1,000.00
TOTAL COURTHOUSE & BUILDINGS	\$292,497.00	\$225,985.00	\$285,585.00

borden2019
Statement of Cash Flows
January through December 2019

	<u>Jan - Dec 19</u>
OPERATING ACTIVITIES	
Net Income	1,563,008.00
Net cash provided by Operating Activities	<u>1,563,008.00</u>
FINANCING ACTIVITIES	
UNRESTRICTED-GENERAL	5,719,072.40
Net cash provided by Financing Activities	<u>5,719,072.40</u>
Net cash Increase for period	<u>7,282,080.40</u>
Cash at end of period	<u><u>7,282,080.40</u></u>

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EXHIBIT A - FORM OF BOND

The form of the Bond, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bond initially issued and delivered pursuant to this Order, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Order.

NO. R- UNITED STATES OF AMERICA PRINCIPAL
STATE OF TEXAS AMOUNT
\$2,161,000

BORDEN COUNTY, TEXAS
LIMITED TAX REFUNDING BOND
SERIES 2014

Interest Rate Delivery Date
1.890% 16 April 29, 2014

REGISTERED OWNER: TIB—THE INDEPENDENT BANKERSBANK

PRINCIPAL AMOUNT: TWO MILLION ONE HUNDRED SIXTY ONE THOUSAND
DOLLARS

BORDEN COUNTY, TEXAS (the "Issuer"), being a political subdivision of the State of Texas, for value received, promises to pay, from the sources described herein, to the registered owner specified above, or registered assign (the "Registered Owner"), the principal amount specified above, and to pay interest thereon, from the Delivery Date set forth above, on the balance of said principal amount from time to time remaining unpaid, at the rate per annum set forth above, calculated on the basis of a 360-day year of twelve 30-day months. The Bond shall finally mature on October 15, 2020, but principal of said Bond shall mature and be payable in installments to the Registered Owner thereof, on the dates and in the amounts set forth below:

<i>Principal Installment Payment Date</i>	<i>Principal Installment Amount</i>
10/15/2014	\$312,000.00
10/15/2015	\$294,000.00
10/15/2016	\$299,000.00
10/15/2017	\$305,000.00
10/15/2018	\$311,000.00
10/15/2019	\$317,000.00
10/15/2020	\$323,000.00

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The Issuer shall pay interest on this

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Appendix E—Summary of TCDRS Funding Policy in Effect for the Dec. 31, 2019 Actuarial Valuation

Texas County & District Retirement System Funding Policy

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2016 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

Projection of Fiduciary Net Position*

Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2019	\$4,795,288	\$171,455	\$385,505	\$4,795	\$379,728	\$4,956,170
2020	4,956,170	169,205	374,206	4,956	393,112	5,139,325
2021	5,139,325	175,201	408,289	5,139	406,825	5,448,493
2022	5,307,923	178,747	451,758	5,308	418,889	5,587,545
2023	5,448,493	185,942	471,225	5,448	429,783	5,729,742
2024	5,587,545	193,068	486,019	5,588	440,736	5,846,097
2025	5,729,742	166,458	495,200	5,730	450,827	5,955,618
2026	5,846,097	164,406	508,671	5,846	459,630	6,065,079
2027	5,955,618	163,219	515,962	5,956	468,161	6,174,850
2028	6,065,079	161,744	522,608	6,065	476,700	6,415,372
2038	6,398,544	89,653	565,556	6,399	499,129	6,119,755
2048	6,157,204	6,815	516,361	6,157	478,254	6,499,520
2058	6,381,377	1,254	378,391	6,381	501,661	9,544,642
2068	9,045,185	151	215,402	9,045	723,753	18,335,310
2078	17,065,856	0	91,503	17,066	1,378,023	38,692,080
2088	35,858,458	0	32,346	35,858	2,901,827	83,242,151
2098	77,083,909	0	5,203	77,084	6,240,529	

* Projection values include no assumed future cost-of-living adjustments. Fiduciary Net Position is projected to be positive for all future years, including those years not shown in this exhibit.

** Note that only select years have been shown for formatting purposes

*** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for determining employer contribution rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of actuarial assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Borden County December 31, 2017 Summary Valuation Report for further details.

The 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 ⁽¹⁾
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	Same as funding valuation: See Appendix C
Salary Increases	Same as funding valuation: See Appendix C
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Borden 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	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

**NOTES TO BASIC FINANCIAL
STATEMENTS**

Overview of GASB 67 and GASB 68

In 2012, the Governmental Accounting Standards Board (GASB) released new reporting standards for public pension plans and participating employers. These standards, GASB Statements 67 and 68, substantially changed the reporting requirements previously mandated under GASB Statements 25 and 27. The most notable change is the distinct separation of funding from financial reporting.

GASB 67 applies to financial reporting for the Texas County & District Retirement System (TCDRS) and does not impact participating employers.

GASB 68, which governs the specifics of reporting public pension plan obligations for employers, is required to be implemented for TCERS employer fiscal years ending June 15, 2015 or later.

Three key ways that GASB 68 affects employer financial statements are:

- 1) GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers.
- 2) Changes in the Net Pension Liability from year-to-year will be recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources, depending on the type of change.
- 3) Deferred inflows/outflows of resources will need to be reported. These are amounts that are not entirely recognized when they occur. They are recognized over a period of time.

Please refer to the Glossary shown in Appendix F of this report for more information on the relevant accounting terminology.

Note that the previously defined GASB Annual Required Contribution (ARC) has been eliminated under Statements 67 and 68 and is no longer relevant for financial reporting purposes. As a result, plan sponsors have been encouraged to establish a formal funding policy that is separate from financial reporting calculations. A copy of the TCERS funding policy is shown in Appendix E of this report.

BORDEN COUNTY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements (BFS) of the Borden County, Texas have been prepared in conformity with Accounting Principles Generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *Audits of State and Local Governmental Units* (GASB 34 Edition). The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the County applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting policies are described below.

GASB 34 REQUIRES THE FOLLOWING DISCLOSURES in addition to the usual disclosures.

List and description of the government wide financial statements which are:
Statement of Net Assets
Statement of Activities

The Statement of Net Assets reports all capital assets including infrastructure, net of accumulated depreciation. It is designed to display a basic accounting relationship: assets minus liabilities equals net assets, as of the last day of the fiscal year.

The Statement of Activities tracks yearly revenue and expenses as well as other transactions that increase or decrease a governments net assets. The statement also distinguishes between tax and fee supported activities. It shows the net cost of each government program or function. The statement differentiates between governmental and business activities. GASB also allows government to allocate indirect administrative expenses to functions, or to report them under the administrative function. Borden County has chosen to report them under the administrative function.

Borden County is a Phase 3 Government for GASB 34 purposes, with total revenues of less than ten million, and thus must comply on financial statements for periods after June 15, 2003 (this fiscal year ended December 31, 2009, so the County is complying for the fifth year.)

A. REPORTING ENTITY

Borden County is the primary local county government. County government is a part of the State of Texas and a unit of local government. As part of the State, its structure is set out in the Texas Constitution, and its operations prescribed in detail by state statutes. The County Operations are overseen by an elected Commissioners Court consisting of four commissioners, each elected from one of the four precincts, and a County Judge elected on a county-wide basis.

In evaluating how to define the County for financial reporting purposes, management has considered all potential components unites. Generally accepted accounting principles require the presentation of all component unites. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on these and other criteria, only the County is included in this report.

B. Basis of Presentation -Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting Entity. The County has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for By a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures/expenses. The Activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into three fund types and four generic funds as described below:

- 1) Governmental Fund Type- These are the funds through which most governmental functions typically are financed. The fund included in this category is the :

General fund-- This fund is established to account for resources devoted to financing the general Services that the County performs for its citizens. General tax revenues and other sources of revenue Used to finance the fundamental operations of the County are included in this fund. The fund is Charged with all cost of operating the government for which a separate fund has not been established.

Debt Service Fund--This fund is established to account for the purpose of accumulating resources for The payment of interest and principal on long-term general obligation debt. There is no debt at this time.

Capital Projects Fund-- This fund is established to account for major capital expenditures. There are No major capital expenditures at this time.

ii) **Proprietary Fund Type**-- These funds account for operations that are organized to be self-supporting through user charges. There are no proprietary fund types at this time.

iii) **Fiduciary Fund Types**-- These funds account for assets held by the
These funds are as follow:

non-expendable Trust Fund-- This fund is used to account for oil and gas royalties and interest earned On the Permanent School Fund. State law requires that the income from royalties be added to the Corpus of the trust and that net earnings from investment income be distributed annually to school Districts within Borden County based upon the previous year's average daily attendance.

Agency Funds -- This fund is used to account for accounts maintained by the various elected officials That collect monies for the county.

In addition to the three broad types of governmental funds, the County also maintains two account Groups as described below:

i) **General Fixed Assets Account Group**-- This is not a fund but rather an account group that is used to Account for general fixed assets acquired principally for general purposes and excludes fixed assets of The Enterprise Funds. All fixed assets are valued at historical cost or estimated historical cost, if actual Historical cost is not available. No depreciation is recorded on fixed assets.

ii) **General Long-Term Debt Account Group** -- This is not a fund but rather an account group that is Used to account for the outstanding principal balances of general obligation bonds and other long-Term debt not reported in proprietary funds. There are no general obligation bonds at this time.

C. **Basis of Accounting** -- Governmental funds and Agency Funds utilize the modified accrual basis Of accounting. Under this method, revenues are measurable. Licenses and permits, charges for Services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in Cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in Which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid Expenses, and other long-term obligations which are recognized when paid.

All proprietary funds and nonexpendable trust funds are accounted for using the accrual basis of Accounting. Their revenues are recognized when they are earned, and their expenses are recognized When they are incurred.

Agency Fund assets and liabilities are accounted for on the modified accrual basis.

D. Budgetary Data -- Formal budgetary accounting is employed as a management control for all funds Of the County. Annual operating budgets are adopted each fiscal year through passage of an annual Budget ordinance and amended as required for the General Fund. The same basis of accounting is Used to reflect for the General Fund. The same basis of accounting is used to reflect actual revenues Expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary Control is exercised at the departmental level.

E. Assets, Liabilities, and Fund Equity

I) Cash -- Cash applicable to a particular fund is readily identifiable. Certificates of Deposit are used To earn interest until funds are needed. The Depository Bank pledges securities in an adequate Amount to cover deposits in excess of FDIC coverage.

ii) Investments -- The commissioners court may direct the county treasurer to invest funds that are not Immediately required to pay obligations of the county. The funds may be invested in the following Per state law:

1. Direct debt securities of the United States
2. Fully collateralized security repurchase agreements under specified conditions
3. Certificates of Deposit issued by state or federal savings and loan associations domiciled In this state, the payment of which is fully insured by the Federal Deposit Insurance Corporation of the Federal Savings and Loan Insurance Corporation

iii) Receivables -- All receivables are reported at their gross value and, where appropriate, are reduced By the estimated portion that is expected to be uncollectible.

iv) Due to and due from other funds -- Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

v) Inventories -- The County records purchases of supplies as expenditures.

vi) Other assets--Other assets held are recorded and accounted for at cost.

vii) Property, plant, and equipment -- Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant and equipments acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost into the General Fixed Assets Account Group. Capital Assets are defined as those with cost of \$ 5,000 or more. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

Property, plant, and equipment is stated at cost. Where cost could no be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

viii) Long-term debt--Long-term obligations of the County are reported in the General Long-Term Debt Account Group. Long-term liabilities for certain general obligation bonds, revenue bonds, and mortgage bonds are reported in the appropriate Enterprise Fund. There is no long-term debt at this time.

ix) Fund Equity--The unreserved fund balances for governmental funds represent the amount

available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

F. Revenues, Expenditures, and Expenses

- i) Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expense of proprietary funds are recognized in essentially the same manner as in commercial accounting.

- ii) Property tax revenues -- Property taxes are levied on October 1 based on the assessed value of property as listed on the previous January 1.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated un-collectible accounts and delinquent accounts.

- iii) Vacation, sick leave, and other compensated absences -- County employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

2. ACCOUNTABILITY AND COMPLIANCE

- A. Total Columns -- The Combined Financial Statements include total columns that are described as memoranda only. Data in the columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.
- B. Statement of Cash Flows -- For the purposes of the Statement of Cash Flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.
- C. Deposits with Financial Institutions -- The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank, deposits for safekeeping and trust, approved pledged securities in an amount sufficient to protect county funds on a day-to-day basis during the period of the contract.

The County's cash deposits at December 31, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank. Deposits were properly secured at all times.

3. NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

- i) Cash -- All Bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the County or by its agent in the County's name.
- ii) Property Taxes -- The County collects its property taxes as well as for other taxing entities in the County.