

POTTER COUNTY, TEXAS

**Comprehensive Annual
Financial Report**

**For the Year Ended
September 30, 2020**

POTTER COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020

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INTRODUCTORY SECTION

**POTTER COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2020**

Nancy Tanner	County Judge
H.R. Kelly	Commissioner, Precinct #1
Mercy Murguia	Commissioner, Precinct #2
Leon Church	Commissioner, Precinct #3
Alphonso Vaughn	Commissioner, Precinct #4
Dan Schaap	Judge, 47 th District Court
Douglas Woodburn	Judge, 108 th District Court
John Board	Judge, 181 st District Court
Ana Estevez	Judge, 251 st District Court
Pamela C. Sirmon	Judge, 320 th District Court
Walt Weaver	Judge, County Court-at-Law #1
Matt Hand	Judge, County Court-at-Law #2
Randall Sims	District Attorney
Carley Snider	District Clerk
Scott Brumley	County Attorney
Julie Smith	County Clerk
Sherri Aylor	County Tax Assessor/Collector
Leann Jennings	County Treasurer
Brian Thomas	County Sheriff
Debbie Horn	Justice of the Peace, Precinct #1
Robert Taylor	Justice of the Peace, Precinct #2
Gary Jackson	Justice of the Peace, Precinct #3
Thomas Jones	Justice of the Peace, Precinct #4
Darryl Wertz	Constable, Precinct #1
Georgia Estrada	Constable, Precinct #2
Mike Duval	Constable, Precinct #3
Idella Jackson	Constable, Precinct #4
Kerry Hood	County Auditor
Chris Lonning	Purchasing Agent

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FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Potter County, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Potter County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Potter County, Texas'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 accounting principles generally accepted in the United States of America; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Potter County, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 – 11), budgetary comparison schedule for the General Fund; Schedule of Changes in Net Pension Liability and Related Ratios – TCDRS; Schedule of Employer Contributions – TCDRS; and Schedule of Changes in Total OPEB Liability and Related Ratios (pages 56 – 59) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Potter County, Texas's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The combining non-major and agency fund financial statements and the non-major fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of Potter County, Texas'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 solely 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 Potter County, Texas'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 Potter County, Texas' internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

Amarillo, Texas

March 15, 2021

BASIC FINANCIAL STATEMENTS

**POTTER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	109,477,580
Receivables (net of allowances for uncollectible):		
Taxes		735,841
Accounts		2,309,454
Due from other governments		594,067
Prepaid items		1,011,171
		114,128,113
Noncurrent assets:		
Capital assets:		
Land		4,911,954
Roads and bridges		38,974,159
Buildings and improvements		98,590,041
Furniture and equipment		23,915,162
Construction in progress		5,924,984
		172,316,300
Less accumulated depreciation		(79,141,445)
		93,174,855
Total noncurrent assets		93,174,855
Total assets		207,302,968
 DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions		3,818,741
Pension economic/demographic losses		108,182
Pension assumption changes		175,769
Other post employment benefit assumption changes		788,361
		4,891,053

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

**POTTER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Continuation	LIABILITIES	<u>Governmental Activities</u>
Current liabilities:		
Accounts payable		\$ 3,118,390
Accrued payroll		697,526
Unearned revenue		70,125
Bonds payable, current		2,585,000
Capital lease payable, current		379,988
Compensated absences, current		192,500
Accrued interest		410,582
Total current liabilities		<u>7,454,111</u>
Noncurrent liabilities:		
Bonds payable and net issuance premiums		74,272,217
Capital lease payable		771,016
Compensated absences		1,732,441
Net pension liability		14,396,542
Total other post employment benefit liability		<u>3,375,676</u>
Total noncurrent liabilities		<u>94,547,892</u>
Total liabilities		<u>102,002,003</u>
DEFERRED INFLOWS OF RESOURCES		
Pension economic/demographic gains		718,424
Pension excess earnings		4,607,937
OPEB economic/demographic gains		833,073
OPEB assumption changes		713,749
Total deferred inflows of resources		<u>6,873,183</u>
NET POSITION		
Net investment in capital assets		67,198,596
Restricted for:		
Debt service		4,170,306
By enabling legislation for:		
Special projects		8,367,956
Unrestricted		<u>23,581,977</u>
Total net position		<u><u>\$ 103,318,835</u></u>

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

**POTTER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Government</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government:					
Governmental activities:					
Administrative	\$ 8,681,381	\$ 536,552	\$ 224,726	\$ -	\$ (7,920,103)
Judicial	15,781,055	1,929,713	1,729,155	-	(12,122,187)
Elections	644,344	4,013	224,577	-	(415,754)
Public facilities	3,920,155	-	-	-	(3,920,155)
Public safety	19,893,774	810,181	2,208,716	-	(16,874,877)
Corrections and rehabilitation	12,688,181	-	311,934	-	(12,376,247)
Road and bridge	2,904,957	2,043,547	18,962	579,788	(262,660)
Health and human services	1,048,989	5,430	284,522	-	(759,037)
Interest on long-term debt	2,987,527	-	-	-	(2,987,527)
Total	\$ 68,550,363	\$ 5,329,436	\$ 5,002,592	\$ 579,788	(57,638,547)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					52,425,776
Property taxes, levied for debt service					4,041,547
Payments in lieu of taxes					101,638
Mixed beverage taxes					487,636
Sales tax					3,338,698
Investment earnings					1,440,300
Miscellaneous					1,879,454
Total general revenues					63,715,049
Change in net position					6,076,502
Net position, beginning					97,242,333
Net position, ending					\$ 103,318,835

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

**POTTER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General</u>	<u>District Courts Building</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 30,658,780	\$ 52,031,961	\$ 12,054,551	\$ 11,516,940	\$ 106,262,232
Taxes receivable, net	683,345	-	-	52,496	735,841
Due from other funds	100,280	-	-	160,139	260,419
Receivable from other governments	-	-	-	594,067	594,067
Other receivables	2,283,095	-	-	24,112	2,307,207
Prepaid items	1,011,171	-	-	-	1,011,171
	<u>34,736,671</u>	<u>52,031,961</u>	<u>12,054,551</u>	<u>12,347,754</u>	<u>111,170,937</u>
Total assets	<u>\$ 34,736,671</u>	<u>\$ 52,031,961</u>	<u>\$ 12,054,551</u>	<u>\$ 12,347,754</u>	<u>\$ 111,170,937</u>
LIABILITIES					
Accounts payable	\$ 1,328,270	\$ 86,045	\$ 60,857	\$ 1,101,877	\$ 2,577,049
Due to other funds	139,273	-	-	121,146	260,419
Accrued payroll	654,217	-	-	43,309	697,526
Deferred revenue	70,125	-	-	-	70,125
	<u>2,191,885</u>	<u>86,045</u>	<u>60,857</u>	<u>1,266,332</u>	<u>3,605,119</u>
Total liabilities	<u>2,191,885</u>	<u>86,045</u>	<u>60,857</u>	<u>1,266,332</u>	<u>3,605,119</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	397,639	-	-	30,548	428,187
Unavailable revenue-receivables	896,011	-	-	-	896,011
	<u>1,293,650</u>	<u>-</u>	<u>-</u>	<u>30,548</u>	<u>1,324,198</u>
Total deferred inflows of resources	<u>1,293,650</u>	<u>-</u>	<u>-</u>	<u>30,548</u>	<u>1,324,198</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	1,011,171	-	-	-	1,011,171
Restricted for:					
Debt service	-	-	-	4,170,306	4,170,306
Capital projects	-	51,945,916	-	-	51,945,916
Special projects	736,822	-	-	-	736,822
Administrative	-	-	-	3,639,744	3,639,744
Judicial	-	-	-	1,689,544	1,689,544
Elections	-	-	-	225,256	225,256
Public safety	-	-	-	1,433,436	1,433,436
Drug court programs	71,441	-	-	-	71,441
Preservation and restoration of county records	347,666	-	-	-	347,666
Law enforcement continuing education	10,312	-	-	-	10,312
Bail bond board	44,046	-	-	-	44,046
Victim assistance contributions	19,484	-	-	-	19,484
State criminal alien assistance program	150,205	-	-	-	150,205
Assigned to:					
Capital projects	1,561,580	-	11,993,694	-	13,555,274
Unassigned (deficit)	27,298,409	-	-	(107,412)	27,190,997
	<u>31,251,136</u>	<u>51,945,916</u>	<u>11,993,694</u>	<u>11,050,874</u>	<u>106,241,620</u>
Total fund balances	<u>31,251,136</u>	<u>51,945,916</u>	<u>11,993,694</u>	<u>11,050,874</u>	<u>106,241,620</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,736,671</u>	<u>\$ 52,031,961</u>	<u>\$ 12,054,551</u>	<u>\$ 12,347,754</u>	<u>\$ 111,170,937</u>

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

POTTER COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance, governmental funds	\$	106,241,620
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		93,174,855
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,324,198
Long-term liabilities, including bonds payable, capital lease payable, accrued interest, net pension liability, total other post employment benefit liability, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(98,115,962)
Pension and OPEB losses, deficit earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements:		
Pension economic/demographic losses		108,182
Pension assumption changes		175,769
OPEB assumption changes		788,361
Pension and OPEB gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements:		
Pension economic/demographic gains		(718,424)
Pension excess earnings		(4,607,937)
OPEB economic/demographic gains		(833,073)
OPEB assumption changes		(713,749)
Pension and OPEB contributions paid after the measurement date, December 31, 2019, and before September 30, 2020 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements:		
Pension contributions		3,818,741
The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		2,676,254
Net Position of Governmental Activities in the Statement of Net Position	\$	103,318,835

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

POTTER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>District Courts Building</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 52,529,636	\$ -	\$ -	\$ 4,038,020	\$ 56,567,656
Sales and miscellaneous taxes	589,274	-	-	3,338,698	3,927,972
Licenses and fees	4,043,703	-	-	630,271	4,673,974
Fines and forfeitures	742,364	-	-	-	742,364
Intergovernmental	2,676,874	-	-	2,325,718	5,002,592
Interest	494,253	643,526	116,687	164,660	1,419,126
Miscellaneous	1,553,084	-	-	357,587	1,910,671
Total revenues	<u>62,629,188</u>	<u>643,526</u>	<u>116,687</u>	<u>10,854,954</u>	<u>74,244,355</u>
EXPENDITURES					
Current:					
Administrative	7,943,382	-	-	809,539	8,752,921
Judicial	14,927,477	-	-	322,581	15,250,058
Elections	485,421	-	-	134,627	620,048
Public facilities	2,282,322	-	179,049	-	2,461,371
Public safety	11,564,929	-	-	7,502,968	19,067,897
Corrections and rehabilitation	12,588,069	-	-	-	12,588,069
Road and bridge	2,314,814	-	-	-	2,314,814
Health and human services	1,047,482	-	-	-	1,047,482
Capital outlay	631,597	2,713,468	3,500	4,004,894	7,353,459
Debt service:					
Principal	225,810	-	-	1,805,000	2,030,810
Interest	-	-	-	3,352,217	3,352,217
Total expenditures	<u>54,011,303</u>	<u>2,713,468</u>	<u>182,549</u>	<u>17,931,826</u>	<u>74,839,146</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,617,885</u>	<u>(2,069,942)</u>	<u>(65,862)</u>	<u>(7,076,872)</u>	<u>(594,791)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	94,863	-	-	-	94,863
Proceeds from capital leases	407,780	-	-	-	407,780
Transfers in	13,231	-	1,500,000	6,359,381	7,872,612
Transfers out	(5,546,789)	-	-	(2,325,823)	(7,872,612)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,030,915)</u>	<u>-</u>	<u>1,500,000</u>	<u>4,033,558</u>	<u>502,643</u>
NET CHANGE IN FUND BALANCES	3,586,970	(2,069,942)	1,434,138	(3,043,314)	(92,148)
FUND BALANCES - BEGINNING	<u>27,664,166</u>	<u>54,015,858</u>	<u>10,559,556</u>	<u>14,094,188</u>	<u>106,333,768</u>
FUND BALANCES - ENDING	<u>\$ 31,251,136</u>	<u>\$ 51,945,916</u>	<u>\$ 11,993,694</u>	<u>\$ 11,050,874</u>	<u>\$ 106,241,620</u>

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

**POTTER COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(92,148)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		3,415,184
The net effect of other transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net changes in fund balance.		820,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(199,932)
Internal service fund is used to account for the health self-insurance program of the County. The net income of certain activities of internal service funds is reported with governmental activities.		1,328,674
The issuance of long term debt provides current financial resources to governmental funds, while repayment of long term debt principal consumes current financial resources of governmental funds. Governmental funds report the effect of premiums and discounts when debt is first issued; these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of long term debt.		1,403,529
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>(598,805)</u>
Change in net position of governmental activities	\$	<u><u>6,076,502</u></u>

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

**POTTER COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,215,348
Receivables	<u>2,247</u>
Total current assets /total assets	<u><u>\$ 3,217,595</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable - claims	<u>\$ 541,341</u>
Total current liabilities/total liabilities	<u>541,341</u>
NET POSITION	
Unrestricted	<u>2,676,254</u>
Total liabilities and net position	<u><u>\$ 3,217,595</u></u>

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

**POTTER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Healthcare contributions	\$ 7,738,413
Miscellaneous revenue	<u>15,386</u>
Total operating revenues	<u>7,753,799</u>
OPERATING EXPENSES	
Operating expenses	<u>6,446,299</u>
Total operating expenses	<u>6,446,299</u>
NET OPERATING INCOME (LOSS)	1,307,500
NON-OPERATING REVENUES	
Interest	<u>21,174</u>
CHANGE IN NET POSITION	1,328,674
TOTAL NET POSITION - BEGINNING	<u>1,347,580</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 2,676,254</u></u>

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

**POTTER COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Governmental Activities Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from internal services provided	\$ 7,820,791
Payments for claims	<u>(6,166,472)</u>
Net cash provided by operating activities	<u>1,654,319</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Changes in interfund receivables/payables	<u>831</u>
Net cash provided by noncapital financing activities	<u>831</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from cash deposits	<u>21,174</u>
Net cash provided by investing activities	<u>21,174</u>
NET INCREASE IN CASH	1,676,324
CASH, BEGINNING	<u>1,539,024</u>
CASH, ENDING	<u><u>\$ 3,215,348</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating income	\$ 1,307,500
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	66,992
Increase (decrease) in accounts payable	<u>279,827</u>
Net cash provided by operating activities	<u><u>\$ 1,654,319</u></u>

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

POTTER COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

ASSETS

Cash and cash equivalents	\$ 5,931,450
Accounts receivable	<u>62,631</u>
Total assets	<u><u>\$ 5,994,081</u></u>

LIABILITIES

Accounts payable	\$ 80,879
Due to other governments	2,590,347
Deposits	<u>3,322,855</u>
Total liabilities	<u><u>\$ 5,994,081</u></u>

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

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Potter County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's Basic Financial Statements.

A. Financial Reporting Entity

Potter County, Texas is a public corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (district attorney, county attorney, etc.) public safety (sheriff, jail, etc.), transportation, facilities, and public service (e.g. rural fire protection and emergency management).

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, as amended, "The Financial Reporting Entity," include whether:

1. the organization is legally separate (can sue and be sued in its name)
2. the County holds the corporate powers of the organization
3. the County appoints a voting majority of the organization's board
4. the County is able to impose its will on the organization
5. the organization has the potential to impose a financial benefit/burden on the County
6. there is fiscal dependency by the organization on the County
7. the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14, as amended, requires inclusion of such an organization as a component unit when 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; 2) the County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Likewise, the *primary government* is reported separately from certain legally separate *component unit* for which the primary government is financially accountable. The County has no business-like activities, except the internal service fund.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on governmental long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

All proprietary funds, including internal service and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus. The agency funds are custodial in nature and involve no measurement of results of operations.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary.

The County reports the following major governmental funds:

General Fund – The *General Fund* is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

District Courts Building – The *District Courts Building Fund* accounts for the financial resources to be used for the acquisition and construction of the new District Courts Building, including demolition of the existing facility and parking.

Capital Projects Fund – The *Capital Projects Fund* accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the County reports the following fund types:

Special Revenue Funds – *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The *Debt Service Funds* account for the accumulation and disbursement of resources associated with the County’s debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

Proprietary Fund Types:

Internal Service Fund – The *Internal Service Fund* accounts for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. The internal service fund is used to account for the provision of health insurance to employees of the County. The general fund is contingently liable for liabilities of this fund. Because the principal users of the internal services are the County’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Fiduciary Fund Types:

Agency Funds – *Agency Funds* account for assets received by the governmental unit in its capacity as trustee or agent for the County, other governmental entities or individuals. The receipts and disbursements of such funds are governed by the terms of the statutes, ordinances, regulations or other authority. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

The County's *Agency Funds* consist of amounts collected by the individual County fee offices for state court costs, state vehicle registration fees, victim restitution payments, merchant hot check fees, inmate trust funds, and District and County Clerk trust beneficiaries.

All of the County's fiduciary funds are agency funds and are reported in the agency fund financial statements. However, because their assets are held in a trustee or agent capacity and therefore not available to support County programs, these funds are not included in the government-wide statements.

C. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, government securities, money market funds, and the Texas Local Government Investment Pool. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

The County records investments at fair value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of revenues, expenditures and changes in fund balance. Deposit and Investment Risk Disclosures are in accordance with GASB Statement No. 40.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

D. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is equal to 71 percent of outstanding property taxes at September 30, 2020.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Payables consist of vendor obligations for goods and services and funds payable to others when the criteria for their release have been met.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of non-spendable fund balance which indicates they do not represent “available spendable resources”.

F. Inter-fund Transactions

During the course of normal operations, the County has many transactions between funds. The accompanying fund level financial statements reflect as transfers the resources provided and expenditures used to provide services, construct assets and meet employee health claims in excess of budgeted amounts. Inter-fund services provided and used are not eliminated in the government-wide presentation. The effect of all other inter-fund activity has been eliminated in the government-wide financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Buildings, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Assets	Years
Infrastructure (roads and bridges)	15 – 50
Buildings and improvements	40
Vehicles	5 – 15
Furniture and equipment	5

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government reports the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the government reports deferred amounts related to the pension plan and the other post-employment benefits reported in the government-wide statement of net position. These deferred amounts include pension and OPEB contributions, economic/demographic losses, assumption changes and deficient earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the government reports deferred amounts related to the pension plan and the other post-employment benefits reported in the government-wide statement of net position. These deferred amounts include economic/demographic gains and assumption changes.

I. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to service already rendered
2. Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund financial statements to the extent the liabilities are expected to be expensed using available financial resources. Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County's employment, an employee shall be entitled to payment for total accrued but unused days of vacation not accumulated beyond two years. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond 100 hours per eligible employee. Sick leave accrues at one day per month with no maximum limit, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time are the only accrued compensation liabilities recorded. Compensated absences will be liquidated through salary expenses in the funds which the employees are paid.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

J. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. The County has no business-type activities, except the internal service fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs withheld from the actual debt proceeds received are reported as debt service expenditures.

K. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the other post-employment benefit (OPEB) asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Healthcare Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Government-wide Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

M. Governmental Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be established, modified, or rescinded by a formal action of the County’s highest level of decision-making authority, the Commissioners’ Court.

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The Commissioners’ Court has the authority to determine and designate the purpose for fund balance to be assigned.

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

N. Fund Balance Policies

When the County incurs an expenditure for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are 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.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners’ Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has delegated the authority to assign fund balance amounts to the County Auditor and County Judge.

Continued

**POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

O. Funds Balances Restricted

Restricted Fund Balances:

- 1) Administrative – management, preservation, restoration and technology requirements of public records, and vehicle inventory tax,
- 2) Judicial – maintenance of County Law Library and community educational programs, justice court technological enhancements, and disbursement of forfeited funds.
- 3) Elections – for contracted elections for various municipalities and schools as allowed by the Secretary of State.
- 4) Public safety – law enforcement grants, as well as disbursement of forfeited funds from the Sheriff’s office.
- 5) Bail Bonds – provide organization and training of the Bail Bond Board.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds and capital lease payable	\$ (78,008,221)
Accrued interest payable	(410,582)
Net pension liability	(14,396,542)
Total other post employment benefit liability	(3,375,676)
Compensated absences	<u>(1,924,941)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ (98,115,962)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 7,353,459
Depreciation expense	<u>(3,938,275)</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 3,415,184</u> Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
Continuation

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net changes in fund balance.” The details of this difference are as follows:

Proceeds from disposal of assets	\$ (94,863)
Gain / (Loss) on disposal of assets	(32,895)
Enterprise fleet vehicles	367,970
Donation of infrastructure assets	<u>579,788</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 820,000</u></u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this are as follows:

Property tax	\$ (100,332)
Fines and fees	(68,383)
Paving lien assessments	<u>(31,217)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (199,932)</u></u>

Another element of that reconciliation states, “Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.” Neither transaction, however, has any effect on net position. The details of this difference are as follows:

Debt Issued:	
Capital leases	\$ (407,780)
Enterprise Fleet capital lease	(367,970)
Repayment of principal	2,030,810
Amortization of bonds premium	<u>148,469</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 1,403,529</u></u>

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
Continuation

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Change in estimated liability for compensated absences	\$ (157,623)
Change in accrued interest	216,219
Change in net pension liability	13,922,137
Change in deferred outflows of resources - pension contributions	203,141
Change in deferred outflows of resources - pension economic/demographic losses	65,235
Change in deferred inflows of resources - pension economic/demographic gains	749,040
Change in deferred outflows of resources - pension deficient earnings	(10,328,986)
Change in deferred inflows of resources - pension excess earnings	(4,607,937)
Change in deferred outflows of resources - pension assumption changes	(404,649)
Change in total other post employment benefit liability	1,004,139
Change in deferred inflows of resources - OPEB economic/demographic gains	(610,670)
Change in deferred outflows of resources - OPEB assumption changes	(107,995)
Change in deferred inflows of resources - OPEB assumption changes	<u>(540,856)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (598,805)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for the General Fund, District Courts Building, Capital Projects Fund, County Assistance District, Vehicle Inventory Tax Interest, Law Library, Courthouse Security, Justice Courts Building Security, Graffiti Eradication, Child Abuse Prevention, County Clerk Records Management, Election, Voter Registration, Court Records Management, District Clerk Records Management, Justice Court Technology, County Clerk/District Clerk Technology, County Attorney Hot Check, County Attorney Forfeiture, County Attorney Federal Forfeiture, County Attorney Pretrial Diversion, District Attorney Hot Check, DA Forfeiture Release, DA Federal Forfeiture, Auto Burglary and Theft Prevention, Sheriff Federal Forfeiture, Law Enforcement Grants, Sheriff Office Forfeiture, Drug Court, DA Pretrial Diversion, Juvenile Probation, CARES Act – HAVA Grant, CARES Act – Sheriff Grants, Buffett-McCain Initiative, Series 2016 Certificates of Obligation, Series 2017 Tax Notes, and Series 2019 Certificates of Obligation. All annual appropriations lapse at fiscal year-end.

Prior to the beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year. The budget includes proposed expenditures and the means of financing them. Meetings of the Commissioners’ Court are held to discuss the proposed budget. These meetings are open to public discussion and require at least ten days’ notice of the meeting.

Continued

**POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continuation

The appropriated budget is prepared by fund and department on the category level. Transfers of appropriations between department, fund and category require the approval of the Commissioners’ Court. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the category level. Supplemental budgetary appropriations in other funds were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

NOTE 4 – DEPOSITS AND INVESTMENTS

The County’s demand deposits are fully covered by collateral held in the County’s name by the County’s agents. The County’s collateral agreements require the market value of securities held by its agents to exceed the total amount of cash and investments held at depository banks at all times.

A reconciliation of cash, as shown in the Governmental Funds, Internal Service Fund and Agency Funds Balance Sheets for the primary government is as follows:

Cash on hand - governmental funds	\$ 10,250
Carrying amount of bank deposits - governmental funds	22,204,724
Carrying amount of TexPool deposits - governmental funds	20,163,296
Carrying amount of Texas CLASS deposits - governmental funds	<u>63,883,962</u>
 Total governmental funds	 <u>106,262,232</u>
 Carrying amount of bank deposits - internal service funds	 3,181,893
Carrying amount of TexPool deposits - internal service funds	<u>33,455</u>
 Total internal service funds	 <u>3,215,348</u>
 Carrying amount of bank deposits - agency funds	 4,023,433
Carrying amount of TexPool deposits - agency funds	<u>1,908,017</u>
 Total agency funds	 <u>5,931,450</u>
 Total	 <u><u>\$ 115,409,030</u></u>

The County’s investment policies are in accordance with the laws of the State of Texas. The policies identify authorized investments and investment terms, collateral requirements and safekeeping requirements for collateral.

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days. The maximum allowable stated maturity of any individual investment owned by the County shall not exceed three years.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS – Continuation

Credit Risk

The County is authorized by statute and by depository contract to invest in obligations of the United States of America, direct obligations of the State of Texas, obligations of state agencies, counties, cities, and other political subdivisions of any state having been rated not less than “A” or its equivalent, certificates of deposit issued by state and national banks that are guaranteed insured or secured by obligations described above having a market value of not less than 110% of the principal amount of the certificates, money market mutual funds regulated by the SEC with a dollar weighted average portfolio maturity of 90 days or less and eligible investment pools organized and operating in compliance with the Public Funds Investment Act that have been approved by the Commissioners’ Court.

As of September 30, 2020 the County had \$20,163,296 and \$63,883,962 invested with the Texas Treasury Safekeeping Trust Company (TexPool) and the Texas Cooperative Liquid Assets Securities System (Texas CLASS), respectively. The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Texas CLASS, through which political subdivisions and other entities may invest public funds.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

Texas CLASS is a local government pool emphasizing safety, liquidity, convenience, and competitive yields. Since 1966, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. The pool is governed by a board of trustees, elected annually by its participants.

Both investment pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas CLASS do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. Both pools have a credit rating of AAAM from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool and Texas CLASS each invest in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Concentrations of Credit Risk

The County’s investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – OTHER RECEIVABLES

Receivables as of year-end for the County’s general, other major and non-major governmental and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Governmental	Internal Service Fund	Total
Receivables:				
Accounts	\$ 1,387,085	\$ 24,112	\$ 2,247	\$ 1,413,444
Fines and fees	33,050,636	-	-	33,050,636
Paving liens	109,462	-	-	109,462
Gross receivables	34,547,183	24,112	2,247	34,573,542
Less: allowance for uncollectible	32,264,088	-	-	32,264,088
Net total accounts receivable, net	<u>\$ 2,283,095</u>	<u>\$ 24,112</u>	<u>\$ 2,247</u>	<u>\$ 2,309,454</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were for delinquent property taxes receivable and miscellaneous unearned revenues.

NOTE 6 – INTER-FUND BALANCES AND ACTIVITY

	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 13,231	\$ 5,546,789
Special Revenue Funds:		
Graffiti Eradication	-	2,729
Child Abuse Prevention	-	10,502
Auto Burglary and Theft Prevention	48,100	-
Juvenile Probation	3,998,689	-
Capital Projects Funds:		
Capital Projects Fund	1,500,000	-
Sheriff Admin Construction Fund	-	2,312,592
Debt Service Funds:		
Series 2016 Certificates of Obligation	1,812,592	-
Series 2017 Tax Notes	500,000	-
	<u>\$ 7,872,612</u>	<u>\$ 7,872,612</u>

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – INTER-FUND BALANCES AND ACTIVITY – Continuation

The General Fund transferred various amounts to the Auto Burglary and Theft Prevention, Juvenile Probation, and Capital Projects Funds for the purpose of funding current year operations in all three funds. The transfer to the Capital Projects Fund also served to build fund balance for future projects. The Sheriff Admin Construction Fund completed the capital outlay project during the year. As a result, the fund transferred its remaining balances to the Series 2016 Certificates of Obligation and Series 2017 Tax Notes for the future payment of those debt obligations.

	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 100,280	\$ 139,273
Special Revenue Funds:		
County Assistance District	1,868	7,591
Law Library	4,546	-
Courthouse Security	3,980	-
Justice Courts Building Security	25	-
County Clerk Records Management	9,318	-
Election	420	1,092
Court Records Management	1,681	-
District Clerk Records Management	2,622	-
Justice Court Technology	924	-
County Clerk / District Clerk Technology	205	-
County Attorney Hot Check	143	525
County Attorney Forfeiture	302	955
County Attorney Federal Forfeiture	122,581	-
County Attorney Pretrial Diversion Fund	5,261	1,332
District Attorney Hot Check	-	19
District Attorney Payroll	406	1,285
Auto Burglary and Theft Prevention	5,281	84,442
Sheriff Federal Forfeiture	-	585
CARES Act - HAVA Grant	338	15,352
CARES Act - Sheriff Grants	238	7,968
	<u>\$ 260,419</u>	<u>\$ 260,419</u>

In the fund financial statements, inter-fund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,019,784	\$ -	\$ (107,830)	\$ -	\$ 4,911,954
Construction in progress	1,026,731	5,151,373	-	(253,120)	5,924,984
Total capital assets not being depreciated	<u>6,046,515</u>	<u>5,151,373</u>	<u>(107,830)</u>	<u>(253,120)</u>	<u>10,836,938</u>
Capital assets, being depreciated:					
Infrastructure (roads and bridges)	38,396,707	577,452	-	-	38,974,159
Buildings and improvements	98,336,921	-	-	253,120	98,590,041
Furniture and equipment	21,511,450	2,616,778	(213,066)	-	23,915,162
Total capital assets being depreciated	<u>158,245,078</u>	<u>3,194,230</u>	<u>(213,066)</u>	<u>253,120</u>	<u>161,479,362</u>
Less accumulated depreciation:					
Infrastructure (roads and bridges)	(27,318,376)	(398,374)	-	-	(27,716,750)
Buildings and improvements	(34,893,645)	(2,204,835)	-	-	(37,098,480)
Furniture and equipment	(13,139,901)	(1,335,066)	148,752	-	(14,326,215)
Total accumulated depreciation	<u>(75,351,922)</u>	<u>(3,938,275)</u>	<u>148,752</u>	<u>-</u>	<u>(79,141,445)</u>
Total capital assets, being depreciated, net	<u>82,893,156</u>	<u>(744,045)</u>	<u>(64,314)</u>	<u>253,120</u>	<u>82,337,917</u>
Governmental activities capital assets, net	<u>\$ 88,939,671</u>	<u>\$ 4,407,328</u>	<u>\$ (172,144)</u>	<u>\$ -</u>	<u>\$ 93,174,855</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administrative	\$ 197,968
Judicial	117,962
Elections	32,815
Public facilities	1,476,703
Public safety	1,513,634
Road and bridge	599,193
Total depreciation expense - governmental activities	<u>\$ 3,938,275</u>

The County has active construction projects as of September 30, 2020. The projects are as follows:

The County has begun the construction of a new District Courts Building, as well as a renovated Fire Station #1. Costs spent to date on these projects totaled \$3,347,697 and \$2,577,287, respectively.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – LEASES

Operating Leases

The County is committed under non-cancelable operating leases for equipment. Future minimum operating lease commitments are as follows:

Year Ending September 30,	
2021	\$ 105,131
2022	105,131
2023	97,736
2024	95,271
2025	23,818
Total Future Minimum Payments	\$ 427,087

Rent expenditures were \$81,313 for the year ended September 30, 2020.

Capital Lease

The County has entered into a capital lease with Enterprise Fleet Management for a county-wide commercial fleet. The obligations under capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 0%. The cost of the equipment financed by this capital lease obligation is \$1,040,098 and accumulated depreciation of \$251,451.

The County has entered into a capital lease with Dell Financial for servers and related equipment. The obligations under capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 0%. The cost of the equipment financed by this capital lease obligation is \$270,812 and accumulated depreciation of \$0.

Commitments under capitalized lease and asset purchase agreements provide for minimum future rental payments as of September 30, 2020, as follows:

Year Ending September 30,	
2021	\$ 379,988
2022	319,267
2023	228,799
2024	136,312
2025	86,638
Total future minimum lease payments	1,151,004
Less amount representing interest	-
Future Minimum Payments	\$ 1,151,004

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 – GENERAL OBLIGATION AND CERTIFICATES OF OBLIGATION BONDS

During the year ended September 30, 2016, the County issued \$21,470,000 of Certificates of Obligation, Series 2016 to provide resources for the purposes of paying contractual obligations incurred for constructing the Sheriff administrative, enforcement and maintenance facility. Principal payments on the Certificates of Obligation, Series 2016 are made annually, each August 1 with interest payments made semi-annually, each February 1 and August 1 until maturity on August 1, 2036. Interest rates range from 1.25% to 3.00% on the Certificates of Obligation, Series 2016.

During the year ended September 30, 2017, the County issued \$5,625,000 of Tax Notes, Series 2017 to provide resources for the purposes of paying contractual obligations incurred for the purchase of equipment for an emergency radio system. Principal payments on the Certificates of Obligation, Series 2017 are made annually, each August 1 with interest payments made semi-annually, each February 1 and August 1 until maturity on August 1, 2024. The interest rate is stated at 1.91% on the Tax Notes, Series 2017.

During the year ended September 30, 2019, the County issued \$50,375,000 of Certificates of Obligation, Series 2019 to provide resources for the purposes of paying contractual obligations incurred for constructing, and equipping the District Courts Building. Principal payments on the Certificates of Obligation, Series 2019 are made annually, each August 1 with interest payments made semi-annually, each February 1 and August 1 until maturity on August 1, 2049. Interest rates range from 3.25% to 5.00% on the Certificates of Obligation, Series 2019.

The annual requirements to amortize all debt outstanding as of September 30, 2020, are as follows:

Years Ending September 30,	Total	Certificates of Obligation Series 2016		Tax Notes Series 2017		Certificates of Obligation Series 2019	
		Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 5,224,451	\$ 935,000	\$ 545,838	\$ 900,000	\$ 62,075	\$ 750,000	\$ 2,031,538
2022	5,478,605	955,000	519,825	915,000	44,742	1,050,000	1,994,038
2023	5,519,337	985,000	490,725	935,000	27,074	1,140,000	1,941,538
2024	5,069,336	1,015,000	460,725	950,000	9,073	750,000	1,884,538
2025	5,081,863	1,045,000	429,825	-	-	1,760,000	1,847,038
2026-2030	21,753,113	5,725,000	1,651,425	-	-	6,160,000	8,216,688
2031-2035	21,811,538	6,630,000	726,450	-	-	7,725,000	6,730,088
2036-2040	15,926,838	1,450,000	21,750	-	-	9,325,000	5,130,088
2041-2045	14,457,650	-	-	-	-	11,225,000	3,232,650
2046-2050	11,559,600	-	-	-	-	10,490,000	1,069,600
Total	<u>\$ 111,882,331</u>	<u>\$ 18,740,000</u>	<u>\$ 4,846,563</u>	<u>\$ 3,700,000</u>	<u>\$ 142,964</u>	<u>\$ 50,375,000</u>	<u>\$ 34,077,804</u>

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 – LONG TERM DEBT

Change in long-term debt is summarized below:

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Certificates of Obligation, Series 2016	\$ 19,660,000	\$ -	\$ (920,000)	\$ 18,740,000	\$ 935,000
Tax Notes, Series 2017	4,585,000	-	(885,000)	3,700,000	900,000
Certificates of Obligation, Series 2019	50,375,000	-	-	50,375,000	750,000
Deferred issuance premiums	4,190,686	-	(148,469)	4,042,217	
Total bonds payable	78,810,686	-	(1,953,469)	76,857,217	2,585,000
Capital lease obligation	601,063	775,751	(225,810)	1,151,004	379,988
Estimated liability for compensated absences	1,767,318	1,657,866	(1,500,243)	1,924,941	192,500
Net pension liability	28,318,679	-	(13,922,137)	14,396,542	-
Total other post employment benefit liability	4,379,815	-	(1,004,139)	3,375,676	-
Total	<u>\$ 113,877,561</u>	<u>\$ 2,433,617</u>	<u>\$ (18,605,798)</u>	<u>\$ 97,705,380</u>	<u>\$ 3,157,488</u>

The County incurred interest expense of \$2,987,527 during the year ended September 30, 2020.

NOTE 11 – COMPENSATED ABSENCES

The cost of the County’s liability for compensated absences is calculated at the end of the fiscal year based on the employee’s pay rate and the accumulated vacation hours earned but not taken. Typically, the General Fund has been used to liquidate the liability for compensated absences.

NOTE 12 – RISK MANAGEMENT

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers’ compensation. The County provides for the management of risks through a combination of self-insurance and traditional insurance. Amounts of coverage for the above types of risk have not been subject to a significant reduction in the past year. The amounts of settlements have not exceeded insurance coverage for the past three fiscal years.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 13 – HEALTH INSURANCE

The County has established the Health and Life Insurance Fund to account for its health and life program. The Plan accumulates resources to pay the insured healthcare costs for the County employees and their covered dependents and was established with the intent to provide appropriate healthcare insurance to employees and minimize total health insurance cost to the County.

The Plan activities are carried on and accounted for in the Health and Life Insurance Fund, an Internal Service Fund.

The County Contributed \$1,029 per month, per employee. Employees may authorize payroll withholding to pay for premium costs for dependent coverage.

The health insurance premiums are paid to the Health and Life Insurance Fund. These inter-fund transactions are treated as operating expenditures by the General Fund as it makes the aggregate premium payments. These premiums are treated as operating revenue by the Health and Life Insurance Fund as they are received or accrued.

A third-party Plan Administrator processes claims and pays bills weekly, gathers experience and cost data, and makes tentative premium calculation using the experience and cost factors it has developed. The administrative fees paid to the Plan Administrator and the services provided by the Administrator are provided by contractual agreement.

During the current year, the self-funded Health and Life Insurance Fund had stop-loss coverage in effect for all claims per individual exceeding \$125,000 and for an aggregate loss of \$6,960,496. This stop-loss insurance coverage is provided by Holmes, Murphy and Associates. Holmes Murphy and Associates is a commercial insurer licensed to do business in Texas in accordance with the Texas Insurance Code. The Plan purchases “15/12 month” insurance, re-insurance, and stop-loss insurance to provide protection for claims, or losses, arising in one insurance period that must be paid in the following insurance period. The provision for unpaid self-insurance health losses at year end is included in claims payable in the internal services fund. It is based upon actual prior claim cost experience and average time lags in settling such claims and actual claims paid after year end. There has been no significant reduction in insurance coverage from coverage in the prior year by major category of risk.

Changes in the Healthcare Insurance Fund’s claims liability were as follows:

<u>Balance</u> <u>10/1/2018</u>	<u>Incurred</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2019</u>
\$ 616,458	\$ 5,609,012	\$ 5,963,956	\$ 261,514
<u>Balance</u> <u>10/1/2019</u>	<u>Incurred</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2020</u>
\$ 261,514	\$ 4,822,243	\$ 4,542,416	\$ 541,341

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT 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 and 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. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at www.tcdrs.org.

Benefits Provided

The Plan provisions are adopted by the governing body of the County (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 20 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 contributions in the Plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the Plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County 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 contributions and the employer-financial monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	381
Inactive employees entitled to but not yet receiving benefits	323
Active employees	590

Contributions

The County has elected the annually determined contribution rate (ADCR) Plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 15.62% for calendar year 2020, and 14.79% for calendar year 2019. The contribution rate payable by the employee members is 7.0% for fiscal year 2020 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Continued

**POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 14 – RETIREMENT PLAN – Continuation

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT PLAN – Continuation

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10 year time horizon.

Note that 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	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)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT 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 (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board Meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT PLAN – Continuation

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT PLAN – Continuation

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 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in the Net Pension Liability / (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2018	\$ 191,071,561	\$ 162,752,882	\$ 28,318,679
Changes for the year:			
Service cost	4,184,777	-	4,184,777
Interest on total pension liability (1)	15,436,690	-	15,436,690
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	99,437	-	99,437
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(509,847)	(509,847)	-
Benefit payments	(9,035,837)	(9,035,837)	-
Administrative expenses	-	(142,387)	142,387
Member contributions	-	2,286,269	(2,286,269)
Net investment income	-	26,729,739	(26,729,739)
Employer contributions	-	4,826,681	(4,826,681)
Other (3)	-	(57,261)	57,261
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2019	<u>\$ 201,246,781</u>	<u>\$ 186,850,239</u>	<u>\$ 14,396,542</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT PLAN – Continuation

Sensitivity of the Net Pension Liability / (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 226,859,714	\$ 201,246,781	\$ 179,681,948
Fiduciary net position	186,850,239	186,850,239	186,850,239
Net pension liability / (asset)	\$ 40,009,475	\$ 14,396,542	\$ (7,168,291)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income)

	January 1, 2019 to December 31, 2019
Service cost	\$ 4,184,777
Interest on total pension liability (1)	15,436,690
Effect of plan changes	-
Administrative expenses	142,387
Member contributions	(2,286,269)
Expected investment return net of investment expenses	(13,078,448)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(714,838)
Recognition of assumption changes or inputs	404,649
Recognition of investment gains or losses	1,285,632
Other (2)	57,261
Pension expense / (income)	\$ 5,431,841

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 – RETIREMENT PLAN – Continuation

Deferred Inflows / Outflows of Resources

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 718,424	\$ 108,182
Changes of assumptions	-	175,769
Net difference between projected and actual earnings	4,607,937	-
Contributions made subsequent to measurement date	N/A	3,818,741

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 ended December 31:	
2020	\$ (1,436,037)
2021	(1,363,343)
2022	467,340
2023	(2,710,370)
2024	-
Thereafter	-

NOTE 15 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Potter County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

The Group Term Life Fund (GTLF) is a separate trust administered by the TCERS board of trustees. TCERS issues a public available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCERS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Potter County, Texas contributions to the GTLF for the year ended September 30, 2020 and 2019 was \$49,638 and \$46,513, respectively, which equaled the contractually required contributions.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County provides other post-employment benefits (OPEB) to all of its full-time employees through a single-employer defined benefit OPEB plan. The Plan provides that an employee who meets the retirement eligibility requirements of the Texas County and District Retirement System, and who leaves the employ of the County may, upon retirement, elect to remain on the County's health care plan, as well as to continue existing spouse and dependent coverage. Coverage ceases for the member, the spouse and dependents upon the member becoming eligible for Medicare at age 65.

Benefits Provided

An employee who meets the retirement eligibility requirements of the Texas County and District Retirement System (TCDRS), and who leaves the employment of Potter County after 20 years of service, or at age 60 with eight (8) years of service, or when the retirees age plus years of service equals 75 is eligible to continue health care coverage when they retire from Potter County. The eligible retiring employee may also continue the existing coverage for spouses and dependents. The retiree pays 100% of the total monthly premium prescribed in the current health plan for active employees and dependents. Premiums are determined annually by estimating the amount needed to cover projected claims. Eligible retirees and their spouse and/or dependents covered by the Potter County Health Care group receive the same health and dental care benefits as active employees, as described in the current health manual.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	0
Active employees	488

Total OPEB Liability

The County's total OPEB liability was measured as of September 30, 2020, and was determined by an actuarial valuation as of that date.

Continued

**POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continuation

Actuarial Assumptions

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Individual Entry-Age Normal
Discount rate	2.41% as of September 30, 2020
Inflation	2.50%
Salary increases	0.50% to 5.00%, not including wage inflation of 3.25%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS)
Mortality	For healthy retirees, the gender-district RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Participation Rates	15% for eligible retirees

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.41% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 2.66% as of the prior measurement date.

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continuation

Changes in the Total OPEB Liability

	Changes in Total OPEB Liability
Balances as of September 30, 2019	\$ 4,379,815
Changes for the year:	
Service cost	318,294
Interest on total OPEB liability	119,444
Changes of benefit terms	-
Difference between expected and actual experience	(710,159)
Changes in assumption	(634,535)
Benefit payments	(97,183)
Balances as of September 30, 2020	\$ 3,375,676

Changes of assumptions reflect updated claims, trends, mortality tables, and discount rate from the October 1, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discounted rate of 2.41%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 1.41%	Current Discount Rate 2.41%	1% Increase 3.41%
Total OPEB liability	\$ 3,690,454	\$ 3,375,676	\$ 3,087,187

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continuation

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	\$ 2,948,997	\$ 3,375,676	\$ 3,893,867

OPEB Expense / (Income)

	October 1, 2019 to September 30, 2020
Service cost	\$ 318,294
Interest on total OPEB liability	119,444
Current period benefit changes	-
OPEB Plan administrative expense	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(137,643)
Recognition of assumption changes or inputs	51,778
OPEB expense / (income)	\$ 351,873

Deferred Inflows / Outflows of Resources

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 833,073	\$ -
Changes of assumptions	713,749	788,361

Continued

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continuation

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

Year ended December 31:	
2020	\$ (85,865)
2021	(85,865)
2022	(85,865)
2023	(85,865)
2024	(82,925)
Thereafter	(332,076)

NOTE 17 – TAX ABATEMENT AGREEMENTS

The County has entered into a tax abatement agreement which is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code with Bell Helicopter Textron, Inc. The Company is to construct a “qualified facility” on an approximate 20 acre parcel of land within the Reinvestment Zone No. 8 as established by the City of Amarillo, Texas. The County will abate 100% of the ad valorem taxes on this development for a period of ten years beginning on January 1, 2014.

The County has entered into a tax abatement agreement which is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code with Coca-Cola Refreshments USA, Inc. The Company is to operate and renovate a premises on an approximate 9.76 acres within the Reinvestment Zone No. 7 as established by the City of Amarillo, Texas. The County will abate 100% of the ad valorem taxes on this development for a period of ten years beginning on January 1, 2016.

The County has entered into a tax abatement agreement which is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code with Gestamp Wind Steel US, Inc. The Company is to operate and renovate a premises on an approximate 48 acres within the Reinvestment Zone No. 7 as established by the City of Amarillo, Texas. The County will abate 100% of the ad valorem taxes on this development for a period of ten years beginning on January 1, 2017.

Chapter 312 of the Texas Tax Code allows for the designation of tax reinvestment zones and the negotiation of tax abatement agreements with applicants. These abatement agreements authorize the Potter-Randall County Appraisal District to reduce the assessed value of the taxpayer’s property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated by Potter County under this program, in accordance with the above agreements, were \$856,847 for the year ended September 30, 2020.

POTTER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 18 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management of the County the outcome of these lawsuits will not have a material adverse effect on the accompanying basic financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2020, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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POTTER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 52,488,256	\$ 52,488,256	\$ 52,529,636	\$ 41,380
Sales and miscellaneous taxes	768,700	768,700	589,274	(179,426)
Licenses and fees	4,105,326	4,105,326	4,043,703	(61,623)
Fines and forfeitures	1,000,900	1,000,900	742,364	(258,536)
Intergovernmental	2,138,250	2,561,556	2,676,874	115,318
Interest	1,075,000	1,075,000	494,253	(580,747)
Miscellaneous	1,187,500	1,187,900	1,553,084	365,184
Total revenues	<u>62,763,932</u>	<u>63,187,638</u>	<u>62,629,188</u>	<u>(558,450)</u>
EXPENDITURES				
Current:				
Administrative	9,068,229	9,040,468	7,943,382	1,097,086
Judicial	17,528,308	17,656,721	14,927,477	2,729,244
Elections	598,711	598,711	485,421	113,290
Public facilities	2,923,493	2,934,723	2,282,322	652,401
Public safety	12,263,538	12,339,785	11,564,929	774,856
Corrections and rehabilitation	13,275,471	13,392,980	12,588,069	804,911
Road and bridge	2,675,369	2,670,369	2,314,814	355,555
Health and human services	1,115,166	1,127,337	1,047,482	79,855
Capital outlay	142,335	466,030	631,597	(165,567)
Debt service:				
Principal	310,738	310,738	225,810	84,928
Total expenditures	<u>59,901,358</u>	<u>60,537,862</u>	<u>54,011,303</u>	<u>6,526,559</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,862,574</u>	<u>2,649,776</u>	<u>8,617,885</u>	<u>5,968,109</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	94,863	94,863
Proceeds from capital leases	-	-	407,780	407,780
Transfers in	-	-	13,231	13,231
Transfers out	(3,998,689)	(3,998,689)	(5,546,789)	(1,548,100)
Total other financing sources (uses)	<u>(3,998,689)</u>	<u>(3,998,689)</u>	<u>(5,030,915)</u>	<u>(1,032,226)</u>
NET CHANGE IN FUND BALANCES	(1,136,115)	(1,348,913)	3,586,970	4,935,883
FUND BALANCES - BEGINNING	<u>27,664,166</u>	<u>27,664,166</u>	<u>27,664,166</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 26,528,051</u>	<u>\$ 26,315,253</u>	<u>\$ 31,251,136</u>	<u>\$ 4,935,883</u>

POTTER COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability:				
Service cost	\$ 4,184,777	\$ 4,231,120	\$ 4,273,814	\$ 4,352,352
Interest on total pension liability	15,436,690	14,703,036	13,871,195	13,037,017
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	439,421	-
Effect of economic/demographic (gains) or losses	99,437	(775,543)	71,577	(1,265,495)
Benefit payments/refunds of contributions	(9,545,684)	(8,582,682)	(8,113,787)	(7,822,670)
Net change in total pension liability	10,175,220	9,575,931	10,542,220	8,301,204
Total pension liability, beginning	191,071,561	181,495,630	170,953,410	162,652,206
Total pension liability, ending (a)	<u>\$ 201,246,781</u>	<u>\$ 191,071,561</u>	<u>\$ 181,495,630</u>	<u>\$ 170,953,410</u>
Fiduciary Net Position:				
Employer contributions	\$ 4,826,681	\$ 4,625,757	\$ 4,318,705	\$ 4,074,113
Member contributions	2,286,269	2,190,217	2,109,629	2,068,086
Investment income net of investment expenses	26,729,739	(3,146,419)	21,585,568	10,342,613
Benefit payments/refunds of contributions	(9,545,684)	(8,582,682)	(8,113,787)	(7,822,670)
Administrative expenses	(142,387)	(130,724)	(111,613)	(112,476)
Other	(57,261)	(35,776)	(23,400)	(361,045)
Net change in fiduciary net position	24,097,357	(5,079,627)	19,765,102	8,188,621
Fiduciary net position, beginning	162,752,882	167,832,509	148,067,407	139,878,786
Fiduciary net position, ending (b)	<u>\$ 186,850,239</u>	<u>\$ 162,752,882</u>	<u>\$ 167,832,509</u>	<u>\$ 148,067,407</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 14,396,542</u>	<u>\$ 28,318,679</u>	<u>\$ 13,663,121</u>	<u>\$ 22,886,003</u>
Fiduciary net position as a % of total pension liability	92.85%	85.18%	92.47%	86.61%
Pensionable covered payroll	\$ 32,634,836	\$ 31,288,811	\$ 30,137,563	\$ 29,544,082
Net pension liability as a % of covered payroll	44.11%	90.51%	45.34%	77.46%

Year Ended December 31,

2015	2014	2013	2012	2011	2010
\$ 4,127,523	\$ 4,108,621	\$ N/A	\$ N/A	\$ N/A	\$ N/A
12,402,512	11,669,923	N/A	N/A	N/A	N/A
(728,256)	-	N/A	N/A	N/A	N/A
1,583,826	-	N/A	N/A	N/A	N/A
(1,704,163)	(268,856)	N/A	N/A	N/A	N/A
<u>(7,265,790)</u>	<u>(6,536,622)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
8,415,652	8,973,066	N/A	N/A	N/A	N/A
<u>154,236,554</u>	<u>145,263,488</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 162,652,206</u>	<u>\$ 154,236,554</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 3,944,278	\$ 3,899,238	\$ N/A	\$ N/A	\$ N/A	\$ N/A
2,009,470	1,984,119	N/A	N/A	N/A	N/A
(641,974)	9,074,869	N/A	N/A	N/A	N/A
(7,265,790)	(6,536,622)	N/A	N/A	N/A	N/A
(101,332)	(106,048)	N/A	N/A	N/A	N/A
143,195	29,017	N/A	N/A	N/A	N/A
(1,912,153)	8,344,573	N/A	N/A	N/A	N/A
<u>141,790,759</u>	<u>133,446,186</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 139,878,606</u>	<u>\$ 141,790,759</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 22,773,600</u>	<u>\$ 12,445,795</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
86.00%	91.93%	N/A	N/A	N/A	N/A
\$ 28,706,709	\$ 28,296,592	\$ N/A	\$ N/A	\$ N/A	\$ N/A
79.33%	43.98%	N/A	N/A	N/A	N/A

POTTER COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 3,899,238	\$ 3,899,238	\$ -	\$ 28,296,592	13.8%
2016	3,944,278	3,944,278	-	28,706,709	13.7%
2017	4,074,113	4,074,113	-	29,544,082	13.8%
2018	4,318,705	4,318,705	-	30,877,835	14.0%
2019	4,813,538	4,813,538	-	32,551,378	14.8%
2020	5,030,180	5,030,180	-	32,638,696	15.4%

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10.5 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule

POTTER COUNTY, TEXAS
POTTER COUNTY HEALTHCARE PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended September 30,			
	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 318,294	\$ 181,073	\$ 196,351	\$ N/A
Interest on total OPEB liability	119,444	148,114	129,989	N/A
Changes in benefit terms	-	-	-	N/A
Difference between expected and actual experience of the total OPEB liability	(710,159)	(249,198)	-	N/A
Changes in assumptions	(634,535)	1,004,351	(232,428)	N/A
Benefit payments	(97,183)	(132,327)	(81,049)	N/A
Net change in total OPEB liability	(1,004,139)	952,013	12,863	N/A
Total OPEB liability, beginning	4,379,815	3,427,802	3,414,939	N/A
Total OPEB liability, ending	<u>\$ 3,375,676</u>	<u>\$ 4,379,815</u>	<u>\$ 3,427,802</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 29,348,897	\$ 24,802,020	\$ 25,795,275	\$ N/A
Total OPEB liability as a % of covered employee payroll	11.50%	17.66%	13.29%	N/A

Notes to Schedule:

Changes of assumptions reflect the effects of changes in the discount rate each period.
The following are the discount rates used in each period:

December 31, 2019	2.41 %
December 31, 2018	2.66 %
December 31, 2017	3.31 %
December 31, 2016	3.81 %

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**STATISTICAL SECTION
(UNAUDITED)**

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**POTTER COUNTY, TEXAS
STATISTICAL SECTION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

This part of the Potter County, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Page
Financial Trends <i>These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	129-132
Revenue Capacity <i>These tables contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	133-136
Debt Capacity <i>These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i>	137-140
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	141-142
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	143-145

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**POTTER COUNTY, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)**

Table 1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities										
Net investment in capital assets	\$ 56,127	\$ 63,177	\$ 61,999	\$ 65,492	\$ 66,473	\$ 68,307	\$ 67,559	\$ 64,693	\$ 63,816	\$ 67,199
Restricted	2,439	2,178	2,759	3,226	4,038	3,915	3,906	5,739	13,307	12,538
Unrestricted	<u>24,775</u>	<u>22,080</u>	<u>25,101</u>	<u>27,409</u>	<u>19,228</u>	<u>19,494</u>	<u>20,180</u>	<u>19,791</u>	<u>20,119</u>	<u>23,582</u>
Total governmental activities net position	<u>\$ 83,341</u>	<u>\$ 87,435</u>	<u>\$ 89,859</u>	<u>\$ 96,127</u>	<u>\$ 89,739</u>	<u>\$ 91,716</u>	<u>\$ 91,645</u>	<u>\$ 90,223</u>	<u>\$ 97,242</u>	<u>\$ 103,319</u>

**POTTER COUNTY, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)**

Table 2

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
Administrative	\$ 5,328	\$ 6,237	\$ 5,843	\$ 6,966	\$ 6,666	\$ 7,264	\$ 7,885	\$ 7,344	\$ 7,947	\$ 8,681
Judicial	12,958	13,705	13,432	14,145	14,607	15,209	16,951	16,512	17,325	15,781
Elections	336	333	343	400	445	486	685	823	523	644
Public facilities	3,228	3,107	3,891	3,941	3,743	4,580	4,298	4,086	4,141	3,920
Public safety	7,847	7,804	8,675	9,130	8,806	11,528	10,816	16,500	19,598	19,894
Corrections and rehabilitation	12,136	12,919	12,971	13,994	13,765	15,061	15,739	15,693	13,102	12,688
Road and bridge	3,290	3,790	3,413	3,876	3,303	2,570	2,531	2,753	2,867	2,905
Health and human services	659	752	746	799	758	636	661	735	1,019	1,049
Interest on long-term debt	445	564	139	86	58	570	470	652	1,184	2,988
Total governmental activities expenses	<u>46,227</u>	<u>49,211</u>	<u>49,453</u>	<u>53,337</u>	<u>52,151</u>	<u>57,904</u>	<u>60,036</u>	<u>65,098</u>	<u>67,706</u>	<u>68,550</u>
Program Revenues										
Governmental activities:										
Charges for services										
Administrative	779	856	1,014	1,677	1,028	2,091	1,519	899	646	537
Judicial	3,632	3,579	3,734	3,785	3,623	3,585	3,255	3,165	2,373	1,930
Elections	-	-	-	1	-	-	1	-	9	4
Public safety	738	892	814	793	810	721	726	926	968	810
Corrections and rehabilitation	37	37	75	109	432	356	256	403	-	-
Road and bridge	1,823	1,915	1,990	2,094	2,110	2,111	2,050	2,035	2,043	2,043
Health and human services	9	10	18	14	21	21	21	57	6	5
Operating grants and contributions	1,638	1,680	1,458	1,848	1,662	3,094	2,307	3,141	4,496	5,003
Capital grants and contributions	1,887	3,266	581	5,539	10	231	62	-	1,673	580
Total governmental activities program revenues	<u>10,543</u>	<u>12,235</u>	<u>9,684</u>	<u>15,860</u>	<u>9,696</u>	<u>12,210</u>	<u>10,197</u>	<u>10,626</u>	<u>12,214</u>	<u>10,912</u>
Net (expense) revenue	(35,684)	(36,976)	(39,769)	(37,477)	(42,455)	(45,694)	(49,839)	(54,472)	(55,492)	(57,638)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	35,437	38,072	38,770	40,524	41,868	44,378	45,341	46,490	49,799	52,426
Property taxes, levied for debt service	2,331	2,309	2,199	2,091	2,166	2,163	2,906	4,542	2,725	4,041
Payments in lieu of taxes	-	-	-	-	-	-	-	-	99	102
Mixed beverage taxes	429	388	436	556	594	611	598	656	688	488
Sales and other taxes	218	213	240	236	228	236	270	184	2,978	3,339
Investment earnings	71	89	89	76	91	283	653	1,046	2,290	1,440
Gain on disposal of assets	-	-	90	28	-	-	-	-	-	-
Miscellaneous	370	-	368	235	60	-	-	-	2,089	1,879
Total governmental activities	<u>38,856</u>	<u>41,071</u>	<u>42,192</u>	<u>43,746</u>	<u>45,007</u>	<u>47,671</u>	<u>49,768</u>	<u>52,918</u>	<u>60,668</u>	<u>63,715</u>
Change in Net Position										
Governmental activities	<u>\$ 3,172</u>	<u>\$ 4,095</u>	<u>\$ 2,423</u>	<u>\$ 6,269</u>	<u>\$ 2,552</u>	<u>\$ 1,977</u>	<u>\$ (71)</u>	<u>\$ (1,554)</u>	<u>\$ 5,176</u>	<u>\$ 6,077</u>

POTTER COUNTY, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

Table 3

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Non-spendable	\$ 62	\$ 52	\$ 53	\$ 23	\$ 17	\$ 521	\$ 1,030	\$ 1,014	\$ 1,078	\$ 1,011
Restricted	297	308	353	656	864	813	578	1,335	1,405	1,380
Committed	3,000	2,000	2,700	3,000	3,000	2,098	2,098	1,548	-	-
Assigned	-	-	-	-	-	-	-	-	1,548	1,562
Unassigned	12,608	14,022	14,496	14,102	13,237	16,397	17,999	20,831	23,633	27,298
Total General Fund	<u>15,967</u>	<u>16,382</u>	<u>17,602</u>	<u>17,781</u>	<u>17,118</u>	<u>19,829</u>	<u>21,705</u>	<u>24,728</u>	<u>27,664</u>	<u>31,251</u>
All other governmental funds										
Restricted										
Debt Service Fund	1,260	1,031	1,284	1,518	1,753	2,014	2,123	2,464	2,891	4,170
Special Revenue Funds	20	20	206	382	518	415	543	1,846	9,011	6,988
Capital Projects Funds	-	-	-	-	-	19,544	9,757	2,418	56,324	51,946
Assigned										
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	3,352	3,098	3,352	3,522	3,351	3,735	3,409	3,459	-	-
Capital Projects Funds	5,130	3,219	5,060	7,680	9,223	7,854	9,544	9,101	10,560	11,993
Unassigned	-	-	(3)	-	(34)	(207)	(24)	(13)	(116)	(107)
Total all other governmental funds	<u>\$ 9,762</u>	<u>\$ 7,368</u>	<u>\$ 9,899</u>	<u>\$ 13,102</u>	<u>\$ 14,811</u>	<u>\$ 33,355</u>	<u>\$ 25,352</u>	<u>\$ 19,275</u>	<u>\$ 78,670</u>	<u>\$ 74,990</u>

POTTER COUNTY, TEXAS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

Table 4

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 38,144	\$ 40,803	\$ 41,540	\$ 43,249	\$ 44,666	\$ 47,172	\$ 48,854	\$ 53,043	\$ 52,803	\$ 56,568
Licenses and fees	4,824	4,922	5,145	5,278	5,350	5,094	4,773	5,080	4,997	4,674
Fines and forfeitures	1,414	1,216	1,232	1,217	1,211	1,142	1,005	1,008	984	742
Intergovernmental	3,636	3,315	2,292	2,117	2,022	3,315	2,752	3,350	4,496	5,002
Interest	69	87	87	74	88	277	643	1,029	2,268	1,419
Sales and miscellaneous taxes	-	-	-	-	-	-	-	-	3,766	3,928
Miscellaneous	1,173	1,286	1,624	2,185	1,399	2,848	1,903	1,487	1,949	1,911
Total revenues	49,260	51,629	51,920	54,120	54,736	59,848	59,930	64,997	71,263	74,244
Expenditures										
Administrative	5,083	5,266	5,470	6,468	6,224	6,575	6,555	6,553	7,439	8,753
Judicial	12,888	13,369	13,307	13,882	14,556	14,645	15,696	15,888	15,971	15,250
Elections	335	327	342	388	449	474	544	492	483	620
Public facilities	2,549	2,063	2,593	2,387	2,463	3,241	2,722	2,609	2,424	2,461
Public safety	7,280	7,501	8,005	8,317	8,365	10,365	9,531	11,736	18,162	19,068
Corrections and rehabilitation	11,895	12,480	12,735	13,628	13,678	14,620	14,671	15,252	12,474	12,588
Road and Bridge	1,852	1,906	1,966	1,974	1,968	2,020	1,990	2,216	2,322	2,315
Health and human services	657	735	744	788	765	621	615	675	982	1,048
Capital outlay	7,827	7,398	1,052	1,038	3,253	5,595	16,487	8,852	1,886	7,353
Debt Service										
Principal	1,595	1,650	1,710	1,705	1,820	1,860	1,900	2,150	1,864	2,031
Interest	463	392	245	162	115	78	970	731	673	3,352
Bond issuance cost	-	-	-	-	-	375	-	-	221	-
Total expenditures	52,424	53,087	48,169	50,737	53,656	60,469	71,681	67,154	64,901	74,839
Excess of revenues over (under) expenditures	(3,164)	(1,458)	3,751	3,383	1,080	(621)	(11,751)	(2,157)	6,362	(595)
Other financing sources (uses)										
Transfers in	3,786	3,627	2,456	5,251	3,600	2,494	2,098	2,139	7,383	7,873
Transfers out	(3,786)	(3,627)	(2,456)	(5,251)	(3,600)	(2,494)	(2,098)	(2,389)	(7,383)	(7,873)
Sale of assets proceeds	-	-	-	-	-	-	-	-	33	95
Issuance of debt	-	-	-	-	-	21,875	5,625	-	50,375	408
Bond premiums	-	306	-	-	-	-	-	-	3,846	-
Refunded bond issued	-	7,220	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	(8,048)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(522)	-	-	-	21,875	5,625	(250)	54,254	503
Net change in fund balances	\$ (3,164)	\$ (1,980)	\$ 3,751	\$ 3,383	\$ 1,080	\$ 21,254	\$ (6,126)	\$ (2,407)	\$ 60,616	\$ (92)
Debt Service as a percentage of noncapital expenditures	4.61%	4.47%	4.15%	3.76%	3.84%	3.53%	5.20%	4.94%	4.03%	7.98%

**POTTER COUNTY, TEXAS
PROPERTY TAX RATES
DIRECT & ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Table 5

Fiscal Year	Roll Year	Operations Rate Potter County	Debt Rate Potter County	Total Direct Rate Potter County	City of Amarillo	Amarillo Independent School District	Amarillo Junior College District
TAX RATES/\$100 ASSESSED VALUATION							
2011	2010	0.56198	0.03713	0.59911	0.31009	1.17000	0.18996
2012	2011	0.59713	0.03637	0.63350	0.32009	1.17000	0.18938
2013	2012	0.59327	0.03380	0.62707	0.32009	1.17000	0.18938
2014	2013	0.60272	0.03130	0.63402	0.34009	1.18900	0.19950
2015	2014	0.60270	0.03132	0.63402	0.34509	1.18900	0.20750
2016	2015	0.63306	0.03096	0.66402	0.35072	1.18900	0.20750
2017	2016	0.62393	0.04009	0.66402	0.35072	1.18900	0.20750
2018	2017	0.62773	0.04227	0.67000	0.36364	1.18900	0.20750
2019	2018	0.64998	0.03502	0.68500	0.36838	1.23900	0.20750
2020	2019	0.65099	0.05001	0.70100	0.38851	1.16900	0.22790

Source: Potter County Tax Office, Potter Randall Appraisal District

Note: Overlapping rates are those that apply to property owners within Potter County. Not all overlapping rates apply to all county property owners; for example, although the county property tax rates apply to all county property owners, the City of Amarillo rates apply only to those whose property is located within the city's geographic boundaries.

Fiscal Year	Roll Year	Bushland Independent School District	Highland Park Independent School District	River Road Independent School District	Village of Bishop Hills	Underground Water Preservation Districts
TAX RATES/\$100 ASSESSED VALUATION						
2011	2010	1.26862	1.18252	1.36000	0.08000	0.01691
2012	2011	1.26960	1.17289	1.35000	0.08000	0.01641
2013	2012	1.26960	1.16744	1.35000	0.08000	0.01641
2014	2013	1.29440	1.16750	1.35000	0.08000	0.01658
2015	2014	1.29000	1.16190	1.35000	0.08000	0.01604
2016	2015	1.26804	1.16190	1.35000	0.08000	0.01593
2017	2016	1.25433	1.16190	1.35000	0.08000	0.01652
2018	2017	1.23777	1.16190	1.35000	0.08000	0.01595
2019	2018	1.23371	1.18590	1.35000	0.08000	0.01576
2020	2019	1.16371	1.10330	1.27650	0.08000	0.01590

POTTER COUNTY, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Table 6

Fiscal Year	Roll Year	Real Property Value		Personal Property Value		Total Value		Total Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value
		Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual		
2011	2010	\$ 6,257,274	\$ 6,506,527	\$ 1,469,795	\$ 1,469,829	\$ 7,727,069	\$ 7,976,356	0.59911	96.87%
2012	2011	6,499,571	6,754,319	1,626,148	1,625,163	8,125,719	8,379,482	0.63350	96.97%
2013	2012	6,647,265	6,893,284	1,687,907	1,687,907	8,335,172	8,581,191	0.62707	97.13%
2014	2013	6,690,462	6,935,556	1,631,586	1,631,586	8,322,048	8,567,142	0.63402	97.14%
2015	2014	6,921,060	7,172,364	1,727,791	1,727,791	8,648,851	8,900,155	0.63402	97.18%
2016	2015	7,107,807	7,357,630	1,752,275	1,752,275	8,860,082	9,109,905	0.66402	97.26%
2017	2016	7,192,330	7,449,131	1,848,664	1,848,664	9,040,994	9,297,795	0.66402	97.24%
2018	2017	7,564,639	7,841,179	1,917,145	1,917,145	9,481,784	9,758,324	0.67000	97.17%
2019	2018	7,863,970	8,126,646	1,943,631	1,943,631	9,807,601	10,070,277	0.68500	97.39%
2020	2019	8,279,646	8,608,172	1,986,271	1,986,271	10,265,917	10,594,443	0.70100	96.90%

Source: Potter Randall Appraisal District

Note: Direct tax rates are per \$100 of assessed value.

**POTTER COUNTY, TEXAS
PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO
SEPTEMBER 30, 2020**

Table 7

Taxpayer	Type of Business	2019 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Southwestern Public Service (Xcel)	Electric Utility	\$ 446,711,410	1	5.40%	\$ 200,175,505	1	3.22%
BNSF Railway Company	Railroad	138,614,026	2	1.67%	73,570,233	6	1.19%
Bell Helicopter Textron	Osprey Production	138,320,670	3	1.67%			
BSA Hospital LLC	Healthcare	129,534,743	4	1.56%			
Sharyland Utilities	Electronic Transmission Line	91,273,740	5	1.10%			
Messer LLC	Helium	82,651,313	6	1.00%			
Northwest Texas Healthcare	Healthcare	82,269,785	7	0.99%	84,540,339	5	1.36%
Tyson Fresh Meats Inc.	Meat Packing	79,906,854	8	0.97%	86,230,349	4	1.39%
Amarillo Economic Development Corp.	Commercial/Economic Development	75,148,618	9	0.97%	34,988,427	10	0.56%
Amarillo Mall, LLC	Shopping Mall	60,524,708	10	0.73%	60,722,582	7	0.98%
Pioneer Natural Resources (USA)	Natural Gas Utility				105,626,898	2	1.70%
Asarco Inc.	Copper Refinery				90,299,924	3	1.45%
Wal Mart Real Estate	Retailer				48,175,393	8	0.78%
Ben E. Keith Company	Food Distribution				47,962,029	9	0.77%
		<u>\$ 1,324,955,867</u>		<u>16.06%</u>	<u>\$ 832,291,679</u>		<u>13.40%</u>

Source: Potter Randall Appraisal District

**POTTER COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN TAX ROLL YEARS**

Table 8

Fiscal Year	Roll Year	Original Tax Levy	Adjustments	Adjusted Tax Levy	Collected in the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
					Collected Amount	Percent of Original Levy Collected		Total Collections	Percent of Adjusted Levy Collected
2011	2010	\$ 37,151,855	\$ -	\$ 37,151,855	\$ 36,511,897	98.28%	\$ 568,193	\$ 37,080,090	99.81%
2012	2011	39,788,918	-	39,788,918	39,101,638	98.27%	619,490	39,721,128	99.83%
2013	2012	40,409,642	-	40,409,642	39,698,578	98.24%	630,000	40,328,578	99.80%
2014	2013	42,066,200	-	42,066,200	41,545,818	98.76%	431,392	41,977,210	99.79%
2015	2014	43,446,569	-	43,446,569	42,961,582	98.88%	385,508	43,347,090	99.77%
2016	2015	46,009,549	-	46,009,549	45,445,342	98.77%	453,349	45,898,691	99.76%
2017	2016	47,820,877	-	47,820,877	47,232,286	98.77%	448,602	47,680,888	99.71%
2018	2017	50,535,016	-	50,535,016	49,853,961	98.65%	471,738	50,325,699	99.59%
2019	2018	53,148,726	-	53,148,726	52,523,561	98.82%	272,554	52,796,115	99.34%
2020	2019	56,460,173	-	56,460,173	55,452,872	98.22%	-	55,452,872	98.22%

Source: Potter County Tax Office

**POTTER COUNTY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST 10 FISCAL YEARS
SEPTEMBER 30, 2020**

Table 9

	GOVERNMENTAL ACTIVITIES				Total Primary Government	Percentage of Property Value (1)	Percentage of Personal Income (2)	\$ Per Capita (2)
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Lease				
2011	\$ 4,591,272	\$ 7,770,000	\$ -	\$ -	\$ 12,361,272	0.15%	0.30%	\$ 101
2012	10,407,628	-	-	-	10,407,628	0.12%	0.24%	85
2013	8,616,985	-	-	-	8,616,985	0.10%	0.20%	71
2014	6,845,324	-	-	-	6,845,324	0.08%	0.14%	56
2015	4,970,254	-	-	-	4,970,254	0.06%	0.10%	41
2016	3,030,221	21,887,782	-	-	24,918,003	0.27%	0.47%	204
2017	1,100,211	21,840,412	5,625,000	-	28,565,623	0.31%	0.55%	237
2018	-	20,922,350	5,450,000	-	26,372,350	0.27%	0.50%	220
2019	-	74,225,686	4,585,000	601,063	79,411,749	0.79%	1.47%	665
2020	-	73,157,217	3,700,000	1,151,004	78,008,221	0.74%	1.42%	667

Note:

(1) Property values are found in Table 6

(2) Personal income and population are found in Table 13

**POTTER COUNTY, TEXAS
LEGAL DEBT MARGIN INFORMATION
SEPTEMBER 30, 2020**

Table 10

Taxable assessed value	\$ 8,207,904,511
Debt limit (5% of taxable assessed value)	\$ 410,395,226
Debt applicable to limit:	
Total bonded debt	76,857,217
Less: amount set aside for repayment of debt	(4,137,056)
Net Indebtedness subject to debt limit	72,720,161
Net debt contracting margin	\$ 337,675,065
Percentage of net debt contraction margin available	82.28 %
Percentage of net debt contracting power exhausted	17.72 %

Last Ten Years

Fiscal Year	Constitutional Debt Limit	Net Outstanding Indebtedness September 30	Percentage of Net Debt Contracting Margin Available
2011	\$ 310,385,535	\$ 11,009,894	96.45%
2012	316,787,646	9,038,778	97.15%
2013	324,502,416	7,076,480	97.82%
2014	334,013,008	5,152,339	98.46%
2015	344,960,488	3,081,511	99.11%
2016	350,204,733	22,431,045	93.59%
2017	364,014,349	26,141,654	92.82%
2018	382,306,235	23,612,723	93.82%
2019	394,422,001	76,007,756	80.73%
2020	410,395,226	72,720,161	82.28%

POTTER COUNTY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Table 11

<u>Fiscal Year</u>	<u>Roll Year</u>	<u>Population</u>	<u>Assessed Value (in Thousands)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2011	2010	122,421	\$ 7,976,356	\$ 12,361,272	\$ 1,260,106	\$ 11,101,166	1.392%	\$ 91
2012	2011	122,894	8,379,482	10,407,628	1,031,222	9,376,406	1.119%	76
2013	2012	122,146	8,581,191	8,616,985	1,283,520	7,333,465	0.855%	60
2014	2013	122,276	8,567,142	6,845,324	1,517,693	5,327,631	0.622%	44
2015	2014	121,374	8,900,155	4,970,254	1,753,489	3,216,765	0.361%	27
2016	2015	120,832	9,109,905	24,918,003	2,013,955	22,904,048	2.514%	190
2017	2016	120,458	9,297,795	28,565,623	2,122,859	26,442,764	2.844%	220
2018	2017	119,648	9,758,324	26,372,350	2,464,218	23,908,132	2.450%	200
2019	2018	119,066	10,070,277	78,810,686	2,802,930	76,007,756	7.548%	638
2020	2019	116,874	10,594,443	76,857,217	4,170,306	72,686,911	6.861%	622

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

**POTTER COUNTY, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2020**

Table 12

Governmental Unit	Gross Debt	Estimated Percent Applicable	Potter County Share of Debt
Direct:			
Potter County, Texas	\$ 76,857,217	100.00%	<u>\$ 76,857,217</u>
Overlapping:			
Amarillo Independent School District	230,087,465	51.82%	119,231,324
Amarillo College District	58,277,402	46.27%	26,964,954
River Road Independent School District	9,250,841	100.00%	9,250,841
Highland Park Independent School District	18,390,000	100.00%	18,390,000
Bushland Independent School District	2,569,950	85.95%	2,208,872
City of Amarillo	143,736,999	46.15%	<u>66,334,625</u>
			<u>242,380,616</u>
Total Direct and Overlapping Debt			<u><u>\$ 319,237,833</u></u>

Source: Potter County Auditor's Office

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Percentages were calculated by determining the portion of the county's total taxable value that is within the entities' boundaries and dividing it by the County's total taxable assessed valuation.

**POTTER COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Table 13

Fiscal Year	Population	Personal Income (In Thousands)	Per Capita Income	Unemployment Rate
2011	122,285	\$ 4,071,704	\$ 33,358	5.90%
2012	122,335	4,248,586	34,707	5.30%
2013	122,146	4,344,796	35,712	5.00%
2014	121,627	4,950,950	40,706	4.10%
2015	121,857	4,950,949	42,334	3.20%
2016	122,082	5,341,958	43,749	3.30%
2017	120,346	5,220,203	43,249	2.90%
2018	119,648	5,257,978	43,945	2.70%
2019	119,471	5,392,605	44,403	2.50%
2020	116,874	5,487,450	46,952	5.80%

Source: Texas Workforce Commission Tracer

**POTTER COUNTY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

Table 14

Employer	2020			Employer	2011		
	Employees	Rank	Percentage of County Employment		Employees	Rank	Percentage of County Employment
Amarillo ISD	5,300	1	4.12%	Amarillo ISD	4,139	1	3.11%
Tyson Foods	4,289	2	3.33%	Tyson Foods	3,700	2	2.78%
CNS Pantex	3,613	3	2.81%	BWXT Pantex	3,398	3	2.56%
United Supermarkets (all Amarillo stores)	3,500	4	2.72%	Baptist St. Anthony's Health Care System	2,700	4	2.03%
Baptist St. Anthony's Health Care System	3,150	5	2.45%	City of Amarillo	2,012	5	1.51%
Northwest Texas Healthcare System	1,950	6	1.52%	Northwest Texas Healthcare System	1,490	6	1.12%
Affiliated Foods/TriState Baking/Plains Dairy	1,470	7	1.14%	Xcek Energy	1,431	7	1.08%
City of Amarillo	1,439	8	1.12%	Bell Helicopter Textron Inc.	1,382	8	1.04%
Walmart Supercenters (4 locations)	1,359	9	1.06%	Texas Department of Criminal Justice	1,303	9	0.98%
Amarillo VA Health Care System	1,250	10	0.97%	Western National Life Insurance Company	1,035	10	0.78%
	<u>27,320</u>		<u>21.2%</u>		<u>22,590</u>		<u>17.0%</u>

Source: Amarillo Chamber of Commerce

POTTER COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS

Table 15

Activity	Full-time Equivalent Employees as of September 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GENERAL FUND										
General Administrative	64.0	64.5	63.8	64.3	66.8	67.8	69.0	68.0	67.0	59.0
Facilities Maintenance	26.0	26.0	27.0	27.0	27.0	28.0	28.0	29.0	28.0	25.0
Elections Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	5.0	5.0	5.0
Judicial	144.0	144.0	145.5	143.5	147.0	150.5	149.5	151.5	149.0	148.0
Public Safety	86.5	86.5	87.0	89.0	89.0	89.0	89.0	100.0	104.0	104.0
Corrections and Rehabilitation	123.0	123.0	125.0	128.0	131.0	130.0	130.0	138.0	139.0	145.0
Health and Human Services	12.0	11.0	11.0	12.0	11.0	11.0	11.0	14.0	15.0	15.0
Road & Bridge	26.0	26.0	26.0	26.0	26.0	26.0	26.0	25.0	25.0	25.0
TOTAL GENERAL FUND	486.0	485.5	489.8	494.3	502.3	506.8	507.0	530.5	532.0	526.0
OTHER GOVERNMENTAL FUNDS										
Judicial	10.0	10.5	10.5	7.5	10.0	8.0	4.0	4.0	2.0	1.0
Public Safety	5.0	5.0	5.0	6.0	6.0	10.0	10.0	3.0	3.0	5.0
Corrections and Rehabilitation	22.0	22.0	22.0	22.0	22.0	22.0	23.5	24.0	24.0	24.0
TOTAL OTHER GOVERNMENTAL FUNDS	37.0	37.5	37.5	35.5	38.0	40.0	37.5	31.0	29.0	30.0
TOTAL GOVERNMENTAL FUNDS	523.0	523.0	527.3	529.8	540.3	546.8	544.5	561.5	561.0	556.0

Source: Potter County employee records

**POTTER COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS**

Table 16

<u>Activity</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Tax Office										
Auto titles issued	31,083	30,820	32,260	31,956	31,122	31,307	29,818	29,912	29,255	28,904
Auto registrations	101,487	102,890	103,780	104,742	108,774	102,417	104,397	105,106	104,311	102,311
County Clerk										
Marriage license applications	1,424	1,606	1,476	1,529	1,540	1,501	1,429	1,273	1,174	1,034
Real property documents filed	19,393	20,315	21,359	19,822	18,617	19,517	22,300	19,092	17,643	17,063
Elections Administration										
Registered voters	49,689	52,296	51,003	52,747	54,120	54,999	54,024	53,219	55,640	55,085
Administration of Justice										
District Court Level										
Civil cases filed	3,548	3,412	3,426	3,472	3,981	3,212	3,953	3,825	2,328	2,480
Civil case dispositions	3,851	3,578	3,259	3,477	3,229	3,420	2,971	4,154	2,393	2,484
Criminal cases filed	2,474	2,111	2,202	2,385	2,019	2,165	2,243	1,808	2,162	3,252
Criminal case dispositions	2,450	2,371	2,151	2,449	2,212	1,987	2,161	1,996	2,178	3,005
County Court Level										
Civil cases filed	1,109	1,070	922	1,065	977	805	834	981	1,063	881
Civil case dispositions	1,133	1,134	876	1,080	870	776	722	875	1,071	769
Criminal cases filed	3,103	3,319	3,011	2,342	2,816	2,556	2,231	2,201	1,470	1,889
Criminal case dispositions	3,151	3,339	3,200	3,189	2,597	2,793	1,991	2,069	1,926	833
Justice of the Peace court level										
Civil cases filed	1,819	2,045	2,117	2,032	2,291	2,517	2,386	2,526	2,592	2,235
Civil case dispositions	4,249	2,324	2,058	1,962	2,063	1,842	2,045	2,341	2,023	2,815
Criminal cases filed	7,420	8,316	8,038	9,209	6,954	5,716	4,588	5,379	5,347	5,916
Criminal case dispositions	9,176	8,508	8,374	7,680	9,617	5,249	7,244	4,874	4,902	5,216
Public Safety & Correctional										
Sheriff										
Average Daily Jail Population	529	471	491	501	477	495	527	555	518	504
Average Daily Prisoner Cost	\$ 45.86	\$ 52.72	\$ 52.55	\$ 57.05	\$ 60.32	\$ 60.15	\$ 57.69	\$ 58.56	\$ 66.70	\$ 69.99

Sources: Potter County Offices, TxDOT and the Office of Court Administration

POTTER COUNTY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/ACTIVITY
LAST TEN FISCAL YEARS

Table 17

<u>Activity</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Office Buildings / Courthouses	7	7	7	7	7	7	7	7	7	7
Public Safety & Correctional										
Constables										
Patrol vehicles	2	2	4	4	4	4	4	4	4	4
Sheriff										
Enforcement vehicles	29	41	43	43	46	46	46	48	48	48
Corrections vehicles	11	11	10	10	8	8	8	8	8	8
Fire / Rescue										
Fire Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
County Roads (miles)	301.09	282.6	287.86	291.56	291.56	291.37	291.37	291.37	301.46	301.46
Bridges	2	2	2	2	2	2	2	2	2	2

Source: Various County departments and County fixed asset reports

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COMPLIANCE



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Potter County, Texas

INDEPENDENT AUDITORS' 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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Potter County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Potter County, Texas' basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Potter County, Texas' internal control over financial reporting (internal control) to determine the 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 Potter County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Potter County, Texas' 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 entity'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 our 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 Potter County, Texas' financial statements are free from 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

March 15, 2021