

COCHRAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

COCHRAN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2020

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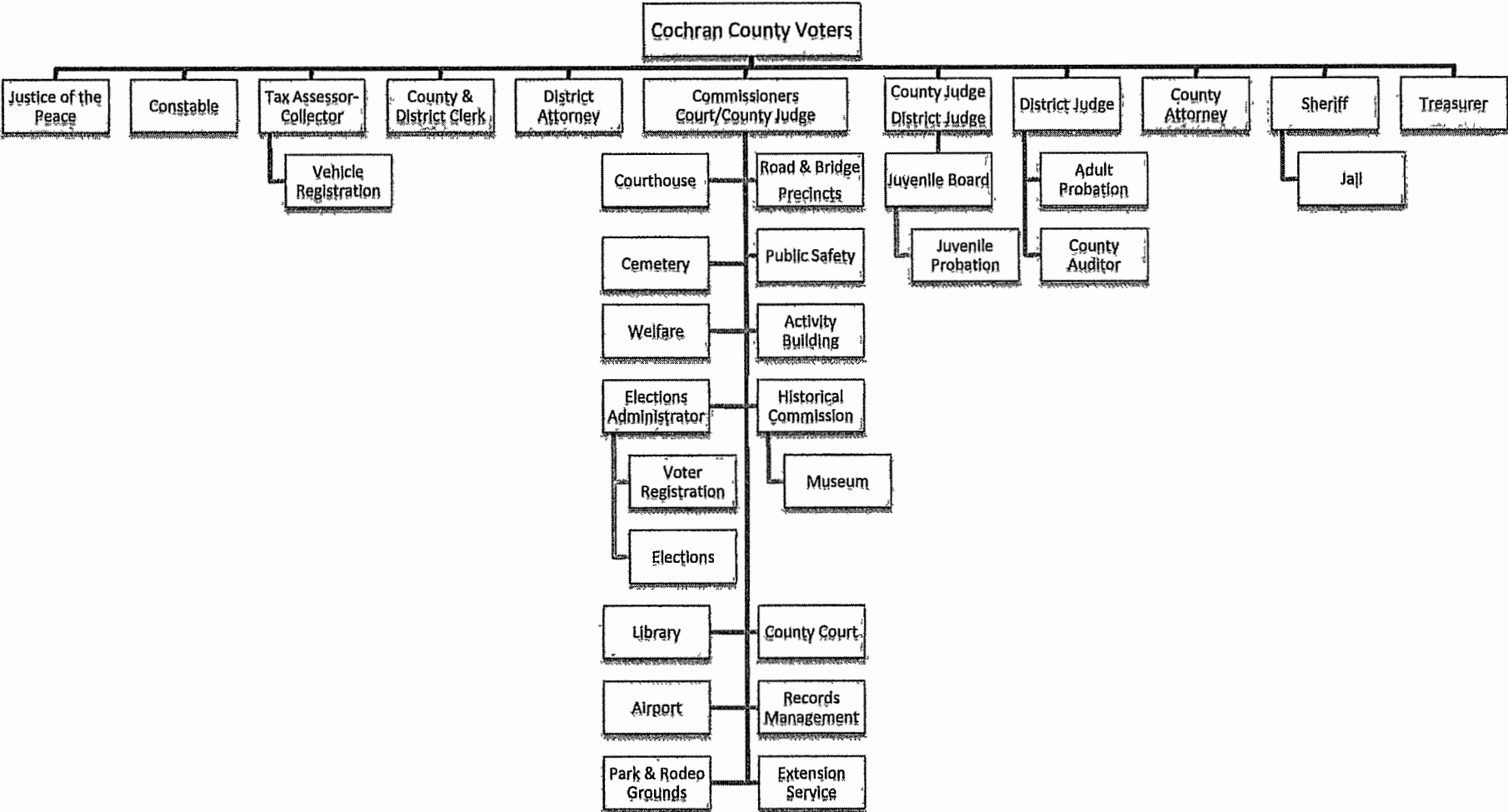
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**COCHRAN COUNTY, TEXAS
ORGANIZATION CHART**



COCHRAN COUNTY, TEXAS

COUNTY OFFICIALS

Pat Phelan..... Judge, 286th Judicial District

Pat Sabala Henry County Judge

Timothy RobertsCommissioner, Precinct 1

Matt EvansCommissioner, Precinct 2

Eric Silhan.....Commissioner, Precinct 3

Reynaldo MorinCommissioner, Precinct 4

Jorge De La Cruz County Sheriff

Amanda Martin. County Attorney

Donna Schmidt..... Justice of the Peace, Precinct 1

Angela OvermanDistrict Attorney

Ben Bristow Constable, Precinct 1

Shanna Dewbre County & District Clerk

Doris Sealy County Treasurer

Treva Jackson.....County Tax Assessor-Collector

Beverly McClellan County Auditor

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Cochran County Commissioners Court
Cochran County, Texas
Room 104 Courthouse
Morton, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of December 31, 2020, and the respective changes in financial position 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 and budgetary comparison information as listed in the Table of Contents 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 Cochran County, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, agency fund financial statements and other schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, agency fund financial statements and other 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 combining nonmajor fund financial statements, agency fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021, on our consideration of Cochran County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cochran County'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 Cochran County, Texas' internal control over financial reporting and compliance.

CMMS CPAs & Advisors, PLLC

CMMS CPAs & Advisors, PLLC
Levelland, Texas
September 17, 2021

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

In this section of the Annual Financial Statements, the management of Cochran County, Texas discuss and analyze the County's financial performance for the fiscal year ended December 31, 2020. Please read it in conjunction with the independent auditor's report and the County's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, Cochran County's assets exceeded its liabilities by \$10,645,018. Of this amount, \$6,014,770 was unrestricted net position.
- The County's net position increased by \$1,119,052 or 11.75% as a result of this year's operations and prior year adjustment.
- During the year, the County had total expenditures of \$4,791,762, which is \$616,197 more than the \$4,175,565 generated in tax revenues and before any special items. This compares to last year when total expenditures exceeded tax revenues by \$941,507.
- The General Fund ended the year with a fund balance of \$3,365,823. The fund balance of the General Fund is unassigned and is 89.11% of total General Fund expenditures.
- The resources available for appropriation were \$147,326 higher than budgeted for the General Fund. This is primarily due to more grants in the current year.
- The County again has gone through the year without issuing any long-term debt and currently has no long-term debt outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Cochran County's basic financial statements. Cochran County's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund and major special revenue fund (Road & Bridge Fund) budget compliance and other supplementary information for additional analysis that is not required to be reported under generally accepted accounting principles including combining schedules for the nonmajor governmental funds and agency funds, a schedule of delinquent taxes receivable, a reconciliation of the current year tax roll, and schedules regarding insurance and fidelity bonding coverage.

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the County's overall financial condition and operations is presented in the government-wide statements. The primary purpose of the government-wide statements is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the County's net position and its respective change during the year. The County's net position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County contains one kind of activity:

I. **Governmental activities** – All of the County's basic services are reported here, including general administration, public safety, justice system, road and bridge maintenance, cemetery, parks, airport, and library services. Property taxes and vehicle registration fees finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions.

Following each of the governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$9,525,966 to \$10,645,018. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,014,770 at December 31, 2020. This increase in governmental net position was mainly the result of an increase of some line item revenues and decrease on line item expenses.

**Table I
Cochran County, Texas
NET POSITION**

	<u>Governmental Activities</u>	
	2020	2019
Assets:		
Current and Other Assets	\$ 7,629,249	\$ 7,160,076
Net Pension Asset	816,077	-
Capital Assets	<u>2,706,058</u>	<u>2,221,950</u>
Total Assets	11,151,384	9,382,026
Deferred Outflows:		
Deferred Outflow Related to Pension & OPEB	<u>347,612</u>	<u>1,133,171</u>
Total Deferred Outflows	347,612	1,133,171
Liabilities:		
Accounts Payable & Other Liabilities	64,151	57,175
Net Pension Liability	-	500,654
Net OPEB Liability	<u>204,192</u>	<u>166,710</u>
Total Liabilities	268,343	724,539
Deferred Inflows:		
Deferred Inflow Related to Pension & OPEB	<u>585,635</u>	<u>264,692</u>
Total Deferred Inflows	585,635	264,692
Net Position:		
Invested in Capital Assets, Net of Related Debt	2,706,058	2,221,950
Restricted	1,924,190	1,925,290
Unrestricted	<u>6,014,770</u>	<u>5,378,726</u>
Total Net Position	<u>\$ 10,645,018</u>	<u>\$ 9,525,966</u>

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and related taxable values increased for 2020 to \$396,628,243, an increase of \$41,404,895 from the prior year. In light of this increase, the Commissioner's Court decreased the tax rate to \$1.05 per \$100 valuation.
2. County personnel numbers are substantially the same as the previous year.

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Table II
Cochran County, Texas
CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	2020	2019
Revenues:		
Program Revenues:		
Charges for Services	\$ 361,546	\$ 444,532
Operating Grants and Contributions	197,852	85,157
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	4,175,565	4,131,879
Penalty and Interest	24,965	47,274
Gain (Loss) on Sale of Fixed Assets	577,749	285,674
Grants and Contributions Not Restricted	1,867	3,689
Miscellaneous Revenue	531,240	387,017
Investment Earnings	<u>40,030</u>	<u>98,962</u>
Total Revenue	5,910,814	5,484,184
Expenses:		
General Government	1,955,019	2,153,185
Public Safety	1,387,922	1,361,702
Highways And Streets	1,105,409	1,127,431
Culture and Recreation	<u>343,412</u>	<u>431,068</u>
Total Expenses	<u>4,791,762</u>	<u>5,073,386</u>
Increase/(Decrease) in Net Position	1,119,052	410,798
Prior Period Adjustment	-	(1,404)
Net Position - Beginning of the Year	<u>9,525,966</u>	<u>9,116,572</u>
Net Position - End of the Year	<u>\$ 10,645,018</u>	<u>\$ 9,525,966</u>

The cost of all governmental activities this year was \$4,791,762. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was \$4,200,530 because some of the costs were paid with charges for services of \$361,546 capital and operating grants and contributions of \$197,852, and other various general revenues of \$1,150,886.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5,314,884, which increased over last year's total of \$4,861,974. Included in this year's total change in fund balance is a increase of \$13,777 in the County's General Fund. This overall increase is a result of sale of assets.

For fiscal year 2020, actual expenditures on a budgetary basis for the General Fund were \$3,777,304, compared to the original budgeted expenditures of \$4,456,899. Actual revenue on a budgetary basis was \$3,663,157 compared to the original budget of \$3,810,483. Reasons for the actual numbers varying from the budget follow:

1. The increased in grant revenue because of the Federal Government assistance for the COVID-19 pandemic.
2. Continued favorable results from County loss control programs, and benefits derived from participation in the Texas Association of Counties Risk Pools for liability and property coverage led to continued low premiums. Good fortune was again realized in regard to claims and judgments, roof and building systems replacement, and expensive equipment breakdowns.
3. Substantial savings continue to be realized from the cancellation of heating, ventilation, and air conditioning mechanical maintenance contracts on major County buildings. Repair and maintenance of these systems is being provided on a time and materials basis by other contractors. It is becoming more difficult to find suitable repair firms willing to travel to Morton, so resorting to an annual contract could become necessary in the future.

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

4. Group health insurance costs continued to decrease during 2020. County Treasurer Doris Sealy aggressively promotes participation by employees and officials in available health maintenance programs, as well as an annual health screening. This could be a contributor to the favorable loss ratios being reported for the county group by Blue Cross/Blue Shield. Again, the County benefited from participation in a Texas Association of Counties group program.

Over the course of the year, the County's Commissioners Court revised the County's budget ten times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

Exhibits G-1 and G-2 provide a detailed comparison of these changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2020, the County had \$9,851,149 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

Major capital asset acquisitions during the current fiscal year included the following:

- (2) 2020 John Deere 772G Motor Grades
- DS200 Election Equipment
- (2) 2020 Chevrolet Silverado 4x4 Pick-ups
- Centralized door-lock system
- 2007 Talbert Lowboy Trailer
- In-car and body camera system
- New A/C System

The County's fiscal year 2020 capital budget calls for expenditures of about \$411,000.

The County does not currently service any long-term debt, and there are no plans to issue any debt to finance these expenditures. More detailed information about the County's capital assets is presented in Note 5 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2021 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values took a slow upturn again this year. Local real and personal property taxable values have shown a healthy increase this year. Overall, taxable valuations increased approximately 15.0% from last year's figures. During the 2021 budget, the Commissioners Court was able to reduce the tax rate by \$0.07/\$100 valuation, while still trying to recover some losses from several years of lower values and cover required mandates from the State of Texas.
2. General Fund revenues, as well as Road and Bridge Fund revenues, are budgeted to increase somewhat from last year. However, due to continued mandated increases in Courthouse Security, and other issues, expenditures are also budgeted to increase in the General Fund.
3. The budget allows for 54 full-time positions (including elected officials) and 12 part-time positions, basically the same as last year's budget. The County Judge chose to complete the first half of 2020 without the use of a Court Assistant, and the Treasurer has chosen to utilize a part-time assistant.

COCHRAN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

4. Capital expenditures in the 2021 Road & Bridge Fund anticipate the replacement of a motor grader. The Commissioners Court has determined that keeping motor graders longer than the warranty period results in higher overall costs due to market factors affecting trade allowances. It seems that factory governmental pricing breaks follow the machine for a period of time, making them more attractive to independent contractors if they are traded within that period. Continuing to operate the graders past the warranty period also exposes the County to the monetary risk of major repairs in addition to the downtime involved. Also, with the availability of a grant through the Governor's office, the county still planned to purchase a new vehicle for the Constable's office.

5. The oil industry in our area has had successful years, but continues to be very unpredictable, as has been the agriculture industry. These two industries remain the largest parts of our local business activity and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for Cochran County. The release of 2010 census figures confirmed that the population of Cochran County is declining rapidly, showing a 16.2% loss since the 2000 census. Efforts to help strengthen and expand existing business and industry are largely invisible, and progress in the area of economic development seems to be limited.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, and investors and creditors with a general overview of Cochran County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact the County Auditor, Cochran County, Texas at 100 North Main St., Morton, Texas, 79346.

BASIC FINANCIAL STATEMENTS

COCHRAN COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,633,882
Investments - Current	1,637,162
Taxes Receivable, Net	2,250,214
Due from Fiduciary Funds	107,991
Capital Assets:	
Land	76,518
Infrastructure - Roads, Net	256,452
Buildings & Improvements, Net	576,966
Land Improvements, Net	55,686
Machinery and Equipment, Net	1,740,436
Net Pension Asset	816,077
Total Assets	11,151,384
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	302,005
Deferred Outflow Related to OPEB Plan	45,607
Total Deferred Outflows of Resources	347,612
LIABILITIES	
Accounts Payable	22,818
Payroll Liabilities	41,333
Noncurrent Liabilities:	
Net OPEB Liability	204,192
Total Liabilities	268,343
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	563,052
Deferred Inflow Related to OPEB Plan	22,583
Total Deferred Inflows of Resources	585,635
NET POSITION	
Net Investment in Capital Assets	2,706,058
Restricted for:	
Library Endowment Principal	28,083
Highways & Streets	1,809,090
Courthouse Projects	25,671
Records Management/Preservation	61,346
Unrestricted Net Position	6,014,770
Total Net Position	\$ 10,645,018

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

COCHRAN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,955,019	\$ 146,434	\$ 121,120	\$ (1,687,465)
Public Safety	1,387,922	53,125	60,200	(1,274,597)
Highways and Streets	1,105,409	161,987	16,532	(926,890)
Culture and Recreation	343,412	-	-	(343,412)
TOTAL PRIMARY GOVERNMENT	\$ 4,791,762	\$ 361,546	\$ 197,852	(4,232,364)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes		4,175,565
Penalty and Interest on Taxes		24,965
Grants and Contributions Not Restricted		1,867
Investment Earnings		40,030
Rent & Royalties		40,000
Miscellaneous Revenue		491,240
Sale of Assets		577,749
Total General Revenues and Transfers		5,351,416
Change in Net Position		1,119,052
Net Position-- Beginning		9,525,966
Net Position - Ending		\$ 10,645,018

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

COCHRAN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

EXHIBIT C-1

	General Fund	Road & Bridge Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,237,863	\$ 1,078,507	\$ 317,512	\$ 3,633,882
Investments - Current	1,110,198	490,636	36,328	1,637,162
Taxes Receivable	1,692,179	585,105	-	2,277,284
Allowance for Uncollectible Taxes (credit)	(328,356)	(113,869)	-	(442,225)
Due from Other Funds	80,702	27,181	686	108,569
Total Assets	\$ 4,792,586	\$ 2,067,560	\$ 354,526	\$ 7,214,672
LIABILITIES				
Accounts Payable	\$ 21,029	\$ 1,723	\$ 66	\$ 22,818
Payroll Liabilities	41,333	-	-	41,333
Due to Other Funds	578	-	-	578
Total Liabilities	62,940	1,723	66	64,729
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,363,823	471,236	-	1,835,059
Total Deferred Inflows of Resources	1,363,823	471,236	-	1,835,059
FUND BALANCES				
Nonspendable Fund Balance:				
Library Endowment Principal	-	-	28,083	28,083
Restricted Fund Balance:				
Highways & Streets	-	1,185,845	152,009	1,337,854
Courthouse Project	-	-	25,671	25,671
Records Management/Preservation	-	-	61,346	61,346
Committed Fund Balance:				
Culture & Recreation	-	-	9,608	9,608
Airport Use	-	-	75,387	75,387
Assigned Fund Balance:				
Other Assigned Fund Balance	-	408,756	2,356	411,112
Unassigned Fund Balance	3,365,823	-	-	3,365,823
Total Fund Balances	3,365,823	1,594,601	354,460	5,314,884
Total Liabilities, Deferred Inflows & Fund Balances	\$ 4,792,586	\$ 2,067,560	\$ 354,526	\$ 7,214,672

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

COCHRAN COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2020

Total Fund Balances - Governmental Funds	\$	5,314,884
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year the cost of these assets was \$9,372,889 and the accumulated depreciation was (\$7,150,939). The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.		2,221,950
Current year capital outlays and dispositions are expenditures or revenues in the fund financial statements, but they should be shown as increases or deductions in capital assets in the government-wide financial statements. The net effect of including the 2020 capital outlays and dispositions is to increase net position.		1,086,161
Included in the noncurrent assets is the recognition of the County's net pension Asset required by GASB 68 in the amount of \$816,077, a deferred resource inflow in the amount of (\$563,052), and a deferred resource outflow in the amount of \$302,005. This resulted in an increase in net position by \$555,030.		555,030
Included in the noncurrent liabilities is the recognition of the County's net OPEB liability required by GASB 75 in the amount of (\$204,192), a deferred resource inflow in the amount of (\$22,583), and a deferred resource outflow in the amount of \$45,607. This resulted in an increase in net position by (\$181,168).		(181,168)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(602,053)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		2,250,214
Net Position of Governmental Activities	\$	10,645,018

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

COCHRAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Road & Bridge Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 2,954,910	\$ 1,211,368	\$ -	\$ 4,166,278
Penalty and Interest on Taxes	18,489	6,476	-	24,965
Licenses and Permits	371	161,616	-	161,987
Intergovernmental Revenue and Grants	174,357	-	23,495	197,852
Charges for Services	147,001	24,020	9,762	180,783
Fines	3,038	14,050	1,688	18,776
Investment Earnings	31,018	8,782	230	40,030
Rents and Royalties	38,100	-	1,900	40,000
Contributions & Donations from Private Sources	-	-	1,867	1,867
Other Revenue	443,199	47,751	290	491,240
Total Revenues	<u>3,810,483</u>	<u>1,474,063</u>	<u>39,232</u>	<u>5,323,778</u>
EXPENDITURES:				
Current:				
General Government	1,688,540	310,589	10,452	2,009,581
Public Safety	1,327,236	-	-	1,327,236
Highways and Streets	-	683,265	13,250	696,515
Culture and Recreation	309,230	-	19,894	329,124
Capital Outlay:				
Capital Outlay	452,298	655,000	-	1,107,298
Total Expenditures	<u>3,777,304</u>	<u>1,648,854</u>	<u>43,596</u>	<u>5,469,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>33,179</u>	<u>(174,791)</u>	<u>(4,364)</u>	<u>(145,976)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	598	598,288	-	598,886
Transfers In	-	-	20,000	20,000
Transfers Out (Use)	(20,000)	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>(19,402)</u>	<u>598,288</u>	<u>20,000</u>	<u>598,886</u>
Net Change in Fund Balances	13,777	423,497	15,636	452,910
Fund Balance - December 31, 2019	<u>3,352,046</u>	<u>1,171,104</u>	<u>338,824</u>	<u>4,861,974</u>
Fund Balance - December 31, 2020	<u>\$ 3,365,823</u>	<u>\$ 1,594,601</u>	<u>\$ 354,460</u>	<u>\$ 5,314,884</u>

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

COCHRAN COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	452,910
Current year capital outlays and dispositions are expenditures in the fund financial statements, but they should be shown as increases or reductions in capital assets and in the government-wide financial statements: The net effect of removing the 2020 capital outlays and dispositions is to increase the change in net position.		1,086,161
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused change in the ending net position to increase in the amount of \$281,460. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$285,575). The County's reported TCDRS net pension expense had to be recorded. The net position expense increased the change in net position by \$180,820. The result of those changes is to increase the change in net position by \$176,705.		176,705
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused change in the ending net position to increase in the amount of \$12,774. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$14,059). The County's reported TCDRS net OPEB expense had to be recorded. The net position expense increased the change in net position by (2,673). The result of those changes is to increase the change in net position by (\$3,958).		(3,958)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(602,053)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase the change in net position.		9,287
Change in Net Position of Governmental Activities	\$	1,119,052

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

COCHRAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 578,543
Accounts Receivable	914
Total Assets	579,457
LIABILITIES	
Held for Others	415,503
Due to Other Governments	16,562
Due to Other Funds	107,991
Due to Fiduciary Funds	1,649
Total Liabilities	541,705
NET POSITION	
Individuals, Organizations, and Other Governments	37,752
Total Net Position	\$ 37,752

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

COCHRAN COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBITE-2

	Custodial Funds
ADDITIONS:	
Tax Collections for Other Governments	\$ 13,450,776
Held for Others	169,329
Investment Earnings	1,263
Total Additions	13,621,368
DEDUCTIONS:	
Payments to Other Governments	13,459,937
Payments to Individuals	160,132
Total Deductions	13,620,069
Net Change in Fiduciary Net Position	1,299
Total Net Position - December 31, 2019	36,453
Total Net Position - December 31, 2020	\$ 37,752

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

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cochran County, Texas (County) was created in 1924 under the provisions of the State of Texas. The County operates under an elected Commissioners Court form of government. The County's major operations include county road maintenance, law enforcement, court system maintenance, and health and social services.

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

A. REPORTING ENTITY

The members of the County's Commissioners Court (Court) are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in *GASB 61 – The Financial Reporting Entity: Omnibus* (GASB 61). There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Cochran County, Texas' non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The County currently has no business-type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include charges for collecting taxes for the surrounding cities/districts and record management services provided by the County Clerk. The "grants and contributions" columns include amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. Examples include grants for emergency response equipment. If revenues are not considered program revenues, they are considered general revenues used to support all of the County's functions. Taxes are always general revenues.

Interfund activities within governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other sources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions within governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column for each major fund. The County currently has no proprietary funds.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as an allowance for uncollectibles.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, monies are expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other type, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenues in the year for which the taxes are levied if they will be collected within 60 days of the end of the fiscal year. Sales taxes, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

D. FUND ACCOUNTING

1. Governmental funds are used to account for the County's expendable financial resources and related liabilities. Currently, the County maintains a general fund and several special revenue funds. The County reports the General Fund and the Road & Bridge Fund as major funds. The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. FUND ACCOUNTING (Cont.)

2. Additionally, the County reports the following fund types:

a. Governmental Funds:

Special Revenue Funds – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Some federal and state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The County has eleven funds designated as special revenue funds. The County reports one of these funds, the Road & Bridge Fund, as a major fund.

b. Fiduciary Funds:

Custodial Funds – The County accounts for resources held in a custodial capacity in custodial funds. This includes amounts received for County operations but not transferred to the governmental funds. The County maintained ten custodial funds during the year ended December 31, 2020.

E. OTHER ACCOUNTING POLICIES

1. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances do not constitute expenditures or liabilities.

2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as an expense in the year of the bond issuance.

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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. County employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. The County has also adopted a policy creating a sick leave pool. This pool is used for employees who have suffered a catastrophic illness or injury and have exhausted all other paid and compensatory time. The pool gains hours from employees contributing excess sick leave.

4. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COCHRAN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Assets	Years
Buildings	40	Office Equipment	5-10
Building and Land Improvements	15-25	Machinery & Equipment	5-30
Infrastructure	20-25	Water Rights	12-40
Vehicles	5		

5. In addition to assets, the statements 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 composition of net position and/or balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has the following items that qualify for reporting in that category:

- Deferred outflow related to pension and OPEB, which result from pension and OPEB contributions after the measurement date (deferred and recognized in the following fiscal year) and differences in projected and actual earnings on pension liabilities. This amount is amortized over a five-year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in that category:

- Deferred inflow related to pension and OPEB, which results from differences in projected and actual earnings on pension liabilities. This amount is amortized over a five-year period.

Additionally, the County has one type of deferred inflows, which arises only under modified accrual basis of accounting, which qualifies for reporting this category. Accordingly, the item, unavailable revenue, is reported on the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as the principal balance of an endowment.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
 - Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Commissioners Court. This formal action is the passage of a court order specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.
 - Assigned fund balance includes amounts that are constrained by a responsible official's request for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
 - Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.
7. In the government-wide financial statements, restricted net assets are reported for amounts that are externally restricted by (1) creditors (e.g. bond covenants), grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provision or enabling legislation.
 8. When both restricted and unrestricted amounts are available for use, County policy is generally to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, the policy uses committed amounts first, followed by assigned amounts, then unassigned amounts as needed. The County does reserve the right to deviate from this policy.
 9. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements.
 10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
 11. Pensions - for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
 12. The County participates in federally-assisted programs. In connection with grants under these programs, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability to be immaterial. Since the federal expenditures were below \$750,000, the County is not subject to the Federal Single Audit as described in the U.S. Office of Management and Budget (OMB) 2 CFR Part 200.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

13. FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through September 17, 2021, the date the financial statements were available to be issued.
14. Other Post-Employment Benefits - for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the TCDRS and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. BUDGETARY DATA

The State of Texas requires annual budgets to be prepared for the general and special revenue funds. The budgets are prepared on the cash basis (budget basis) in order to comply with the Constitution of the State of Texas. The County Commissioners Court, on a category basis, exercises budgetary controls over expenditures.

The actual results of operations for the County's major funds are presented in Exhibits G-1 and G-2 in accordance with the budget (cash) basis to provide a meaningful comparison of actual results with the original and final budget. The differences between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles [GAAP] basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

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

1. As required by the State of Texas, the County Judge, assisted by the County Auditor, prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the general and special revenue funds. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court. The original budget was adopted by the Commissioners Court on September 23, 2019, in accordance with the above process. The final fiscal 2020 budget revision was adopted by the Commissioners Court on December 30, 2020.
4. The Commissioners Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.
5. The fiscal 2020 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and modified accrual basis.

COCHRAN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. IMPLEMENTATION OF NEW STANDARDS

GASB Statement No. 84, Fiduciary Activities (“GASB 84”), establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The required changes due to the implementation of GASB 84 are reflected in the County’s financial statements and notes to those statements. As this statement was implemented retroactively it resulted in a restatement of the prior period net position of Fiduciary Activities and restatement of assets and liabilities in Governmental Activities both are as follows:

Net Position at December 31, 2019, as previously reported	\$ -
Addition of Net Position as calculated pursuant to GASB 84	36,453
Net Position December 31, 2019, as restated	<u>\$ 36,453</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

County Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits – State statute requires that public funds in the County’s depository institution be secured by eligible securities, as defined by **V.T.C.A., Government Code, Chapter 2257**, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **V.T.C.A., Local Government Code, Chapter 116**. The depository bank places approved pledged securities for safekeeping and trust with the County’s agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County’s depository agreement provides that as security for the deposits of the County their bank will pledge to the County securities at 100% of the amount of County funds on deposit including interest accrued to date. Value of the securities comprising the pledge will be set at the lower of par value or estimated market value. The securities pledged must satisfy the requirements of **V.T.C.A., Local Government Code, §116.054**.

Furthermore, the pledged securities are subject to the approval of the Commissioners Court as to type and value. Substitutions of securities or change of total amounts of securities may be made only by and with proper written authorization by the County. A copy of the safekeeping receipts for securities pledged will be issued to the County at the conclusion of each investment transaction.

At December 31, 2020, the carrying amount of the County’s deposits (cash and certificates of deposit) was \$3,633,882. The County’s cash deposits at December 31, 2020 and during the year ended December 31, 2020 were properly secured at all times by FDIC insurance or by pledged collateral held by the County’s agent bank in the County’s name.

COCHRAN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Cont.)

County Policies and Legal and Contractual Provisions Governing Investments:

Compliance with the Public Funds Investment Act

The County's investment policies are governed by State statutes. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County's investment policies further limit State statutes such that eligible investments include the following:

- Time deposits;
- Certificates of Deposit
- Negotiable Order of Withdrawal (NOW) accounts;
- Eligible SEC-registered money market funds;
- United States Treasury Notes, Bills, and Bonds;
- Securities issued and guaranteed by various governmental agencies and instrumentalities;
- Investment pools.

The County is in substantial compliance with the requirements of the **Public Funds Investment Act** and with local policies.

As of December 31, 2020, Cochran County, Texas had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Under 1</u>	<u>1-5</u>	<u>6-10</u>	<u>> 10</u>
TexPool Investment Pool	<u>\$ 1,637,162</u>	<u>\$ 1,637,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments for Cochran County, Texas are specified below:

Credit Risk – To limit the risk that an insurer or other counter-party to an investment will not fulfill its obligations, the County prohibits investments in commercial paper, corporate bonds, and mutual bond funds. Investments by the County in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County requires counter-parties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County's name and held by the County's agent.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Cont.)

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the County has set its policy to attempt to diversify its investments. The County currently achieves this through its investments in TexPool, which has a diversified portfolio.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County allows the investment officer to only place funds in investments with maturities of one year or less. The Commissioners Court may approve investments with maturities of greater than one year.

NOTE 3 - TEXPOOL

During 1986, the 69th Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust company called the Texas Treasury Safekeeping Trust Company (the Trust). The Trust has direct access to the services of the Federal Reserve Bank and performs other trust company activities. It is specifically authorized to manage, disburse, transfer, safe-keep, and invest public funds and securities more efficiently and economically (Sec. 404.102 et seq., Texas Government Code).

The Trust created the Texas Local Government Investment Pool (TexPool) for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. 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. Finally, TexPool is rated AAAM by Standard & Poor’s. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as the Office of the Comptroller of Public Accounts for review. TexPool is established as a trust fund, segregated from all other trustors, investments and activities of the Trust Company.

The primary objective of TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments. While safety is the primary goal of TexPool, liquidity is a simultaneous objective. After meeting the first two objectives, TexPool seeks to provide a competitive yield for the invested funds.

Investments are carried at amortized cost, which approximates fair value, as provided for by the GASB in its publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section In5. Investments are priced daily and compared to TexPool’s carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than 0.995 or greater than 1.005, TexPool will sell investment securities, as required, to maintain the ratio at a point between 0.995 and 1.005.

As of December 31, 2020, the County had investments with a cost and market value of approximately \$1,637,162 with TexPool. Participation in TexPool is voluntary and the County can withdraw from participation upon approval from the County Commissioners.

TexPool issues a separately stated annual financial report with an August 31 fiscal year-end. A copy of this report may be obtained by writing to Texas Treasury Safekeeping Trust Company, 208 East 10th Street, Austin, Texas, 78701, or by accessing the Trust’s website at www.ttstc.com.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 4 - PROPERTY TAXES

In accordance with state law, all appraisals of County property for tax purposes are made by the county-wide appraisal authority, Cochran Central Appraisal District. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

The County's property taxes are levied each October 1 based upon 100 percent of the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's fiscal year on December 31st.

The maximum allowable tax rate for the County is \$1.05 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

Since the County recognizes the tax collections on a modified accrual basis, the tax rates for the fiscal year 2019 change when the new levy is approved each October 1st. Levies for the 2020 and 2019 tax years were \$0.7651 and \$0.7700 per \$100 assessed value for County General Fund operations, respectively, and \$0.2647 and \$0.2800 per \$100 assessed value for County Road and Bridge Fund operations, respectively.

The original appraised taxable values upon which the 2020 tax levy was based were \$401,831,630 and \$399,867,769 for the General Fund tax rate and the Road and Bridge tax rate, respectively. Current tax collections for the 2020 and 2019 tax levies were approximately 49.88% and 49.76% of the respective tax levies.

Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. However, for government-wide purposes, the County does record an allowance based on historical collection rates. As of December 31, 2020, this allowance was \$27,070.

Concentration of Risk - During the year, approximately 40% of the County's property tax levy was assessed on one oil and gas company operating within the County. This poses a potential risk to the County, which could be adversely affected if a situation arose where this company could or would not pay the assessed taxes.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 5 - CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 76,518	\$ -	\$ -	\$ 76,518
Land Improvements	333,561	-	-	333,561
Infrastructure – Roads	1,539,881	-	-	1,539,881
Buildings & Building Improvements	2,227,076	284,345	-	2,511,421
Machinery & Equipment	<u>5,195,853</u>	<u>822,953</u>	<u>(629,038)</u>	<u>5,389,768</u>
Totals at Historical Cost	<u>9,372,889</u>	<u>1,107,298</u>	<u>(629,038)</u>	<u>9,851,149</u>
Less Accumulated Depreciation:				
Land Improvements	(267,908)	(9,967)	-	(277,875)
Infrastructure – Roads	(1,270,195)	(13,234)	-	(1,283,429)
Buildings & Building Improvements	(1,892,678)	(41,777)	-	(1,934,455)
Machinery & Equipment	<u>(3,720,158)</u>	<u>(537,075)</u>	<u>607,901</u>	<u>(3,649,332)</u>
Total Accumulated Depreciation	<u>(7,150,939)</u>	<u>(602,053)</u>	<u>607,901</u>	<u>(7,145,091)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,221,950</u>	<u>\$ 505,245</u>	<u>\$ (21,137)</u>	<u>\$ 2,706,058</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 70,129
Public Safety	61,497
Highways and Streets	456,139
Culture and Recreation	<u>14,288</u>
Total	<u>\$ 602,053</u>

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Reimbursements from one fund to another for expenditures or expenses already made are recorded as expenditures or expenses in the reimbursing fund. Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other transfers are treated as operating transfers and are included in the results of operations of the governmental funds.

During the year ended December 31, 2020, the County transferred \$20,000 to the Airport Fund.

The County had the following interfund balances as of the end of the year:

Due From	Due To			Totals
	General Fund	Road and Bridge Fund	Other Funds	
General Fund	\$ -	\$ -	\$ -	\$ -
Fiduciary Funds	<u>80,702</u>	<u>26,603</u>	<u>686</u>	<u>107,991</u>
Totals	<u>\$ 80,702</u>	<u>\$ 26,603</u>	<u>\$ 686</u>	<u>\$ 107,991</u>

COCHRAN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

NOTE 7 - EMPLOYEE PENSION PLAN

Cochran County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan through 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 677 nontraditional defined pension plans from various county and district governmental entities statewide. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon request through TCDRS, PO Box 2034, Austin, TX 78768-2034, or through the www.tcdrs.org website.

All eligible employees of the County are required to participate in TCDRS plan.

Benefits Provided - The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 or above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of the member's age and years of service equal 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed contributions. Members who withdraw their personal contributions in a lump sum prior to retirement are not entitled to the employer contributions.

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

Employees covered by benefit terms.

At December 31, 2019 valuation and measurement date, the following employees were covered by the benefits terms:

Inactive employees entitled to but not yet receiving benefits	38
Inactive employees receiving benefits	56
Active employees	<u>63</u>
Total	<u>157</u>

Contributions – The contribution rates for employees in TCDRS are either 4%, 5%, 6% or 7% of the employee's gross earnings, as adopted by the County's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the County within the options available to the TCDRS Act.

Employees for the Cochran County are required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the County were 13.00% and 13.00% in calendar 2019 and 2020, respectively. The County's contributions to TCDRS for the year ended December 31, 2020 were \$281,460 and were equal to the required contributions.

Net Pension Liability – Cochran County's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The December 31, 2019 actuarial valuation is the most recent valuation.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 7 - EMPLOYEE PENSION PLAN (Cont.)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation using following actuarial assumptions:

Inflation	2.75%
Overall payroll growth	3.25%
Investment Rate of Return	8.10%

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's investment consultants and are based on January 2020 information for a 7-10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
High-Yield Bonds	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	<u>8.00%</u>	2.30%
Total	100.00%	

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 7 - EMPLOYEE PENSION PLAN (Cont.)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/18	\$ 12,664,489	\$ 12,163,834	\$ 500,655
Changes for the year:			
Service cost	301,105	-	301,105
Interest	1,021,637	-	1,021,637
Change in benefit items	-	-	-
Diff between expected/actual experience	(117,270)	-	(117,270)
Changes in assumptions	-	-	-
Contributions – employer	-	385,575	(385,575)
Contributions – employee	-	153,771	(153,771)
Net investment income	-	1,997,727	(1,997,727)
Benefit payments, including refunds of employee contributions	(719,591)	(719,591)	-
Administrative expenses	-	(10,643)	10,643
Other	-	(4,226)	4,226
Net changes	485,881	1,802,613	(1,316,732)
Balance at 12/31/19	\$ 13,150,370	\$ 13,966,447	\$ (816,077)

Discount Rate – The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine Total Pension Liability.

Sensitivity of the Net Pension Liability 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 would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent point higher (9.10%) than the current rate:

	Discount Rate (7.1%)	Discount Rate (8.1%)	Discount Rate (9.1%)
County's net pension asset	\$ 652,444	\$ (816,077)	\$ (2,079,120)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s Fiduciary Net Position is available in the separately issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, Cochran County recognized pension expense of \$204,756.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 7 - EMPLOYEE PENSION PLAN (Cont.)

At December 31, 2020, Cochran County reported deferred outflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 219,974
Changes in actuarial assumptions	\$ 20,545	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ 343,078
Contributions subsequent to the measurement date	281,460	
Total	\$ 302,005	\$ 563,052

Cochran County reported \$285,574 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2021	\$ (197,443)
2022	\$ (157,411)
2023	\$ 16,388
2024	\$ (204,041)
2025	\$ -
Total	\$ (542,507)

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The County also participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by TCDRS referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB).

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS' CAFR includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, Texas 78768-2034, or online at www.tcdrs.org.

The Commissioners Court elected to provide group-term life insurance coverage to both current and retired employees. The GTLF program is voluntary and the Commissioners Court can cease participation at the beginning of any calendar year.

Benefits Provided: Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The county's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Cont.)

Employees Covered by Benefit Terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>9</u>
Total	<u>72</u>

Contributions: Employees for the Cochran County, Texas were not required to contribute during the fiscal year. The contribution rates for the Cochran County, Texas were 0.64% and 0.59% in calendar years 2019 and 2020, respectively. The County's contributions to TCDRS for the year ended December 31, 2020 were \$12,774 and were equal to the required contributions.

Net Pension Liability: The County's OPEB Liability was measured as of December 31, 2019, and the Total OPEB Liability used to calculate the Net OPEB Liability 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:

Inflation	N/A
Overall payroll growth	N/A
Discount Rate	2.74%

Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Changes in the net pension liability

	Total OPEB Liability
Balance at 12/31/2018	\$ 166,710
Changes for the year:	
Service cost	3,476
Interest	6,781
Change of benefit terms	-
Difference between expected and actual experience	2,676
Changes of assumptions	34,215
Benefit payments	<u>(9,666)</u>
Net changes	<u>37,482</u>
Balance at 12/31/2019	<u>\$ 204,192</u>

COCHRAN COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Cont.)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.74%, as well as what the Cochran County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown:

	1% Decrease in Discount Rate (1.74%)	Discount Rate (2.74%)	1% Increase in Discount Rate (3.74%)
County's net OPEB liability	\$ 237,013	\$ 204,192	\$ 178,066

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the County recognized pension expense of \$12,339.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,141	\$ 12,558
Changes in actuarial assumptions	30,692	10,025
Contributions subsequent to the measurement date	<u>12,774</u>	<u>-</u>
Total	<u>\$ 45,607</u>	<u>\$ 22,583</u>

\$12,774 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	2,082
2022	2,082
2023	2,083
2024	4,003
2025	<u>-</u>
Total	<u>10,250</u>

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 9 - EMPLOYEE DEFERRED COMPENSATION PLAN

The employees of Cochran County also participate in a deferred compensation plan administered by Nationwide Retirement Solutions. The County does not contribute to the plan. Ten of the County employees were participating in the plan at the end of 2020.

Net Assets Available for Participants	\$ <u>830,715</u>
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NOTE 10 - MEDICAL/HEALTH CARE COVERAGE

The County has established a third party insurance plan with the Texas Association of Counties Health and Employee Benefits Pool. Benefits are paid based on four categories of medical service. The plan allows employees the option to purchase additional coverage for spouses, children, and families through payroll deductions. The plan is renewable October 1 annually. The maximum lifetime benefits cannot exceed two million dollars. Annual deductible limits per employee are two hundred fifty or five hundred dollars and coinsurance percentages vary depending on whether the services are provided by a network or non-network provider. Employees are eligible to remain on the medical and health plan in accordance with laws established by COBRA. Such laws provide different time limits depending on whether the employment separation was due to voluntary or involuntary termination.

As of December 31, 2020, the County was paying approximately \$885 per employee for medical and health insurance benefits. The total expense incurred by the County for the calendar year was approximately \$390,435.

Additional information can be attained by contacting the Texas Association of Counties Health and Employee Benefits Pool (TAC HEBP), P.O. Box 911968, Dallas, Texas, 75391-1968.

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; natural disasters; injuries to employees; and other claims of various natures. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (TAC Pool) which provides protection for risks of loss. TAC Pool was established by the Texas Association of Counties to provide self-insurance for its members and to obtain lower costs for insurance. The County pays annual premiums for liability, property, workers' compensation, and unemployment coverage. Annual contribution rates are determined by the TAC Pool Board. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. TAC Pool has established Claims Reserves for each of the types of insurance offered. Thus, although TAC Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions and the member's policies' deductibles. If losses incurred are significantly higher than actuarially estimated, TAC Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

Any losses reported but unsettled or incurred and not reported are believed to be insignificant to the County's basic financial statements.

TAC Pool also makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by TAC Pool.

COCHRAN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 11 - RISK MANAGEMENT (Cont.)

For the year ended December 31, 2020, Cochran County, Texas contributed approximately \$54,799 for its property, liability, workers' compensation, and unemployment coverage. The County also carries insurance on most other risks of loss including employee health and accident insurance and surety bond coverage. The County does retain the risk on automobile physical damage.

No significant reductions in insurance coverage occurred in the past fiscal year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 - RESTRICTED NET ASSETS

During 2002 and 2003, Cochran County's Love Memorial Library Fund (a nonmajor special revenue fund) received a total bequest of \$28,083. These funds are a permanent endowment according to the stipulation of the will and only the interest earned on the funds can be used for operations of the library. The base funds cannot be used at all. On Exhibit C-1, this amount is considered as Nonspendable Fund Balance: Library Endowment Principal. On Exhibit A-1 this amount is classified as Net Assets Restricted for Library Endowment.

NOTE 13 - TAX ABATEMENT

The County provides property tax abatements for economic development pursuant to Chapter 312 of the Texas Property Tax Code to facilitate the creation and retention of job opportunities to the County. Under the terms of the County's tax abatement guidelines, an abatement may only be granted for the additional value of eligible improvements made subsequent to and specified in an abatement agreement between the County and the property owner or lessee, subject to such limitations as the County may require. An abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

Economic Qualifications: To be eligible for designation as a reinvestment zone and receive tax abatement the planned improvement:

1. Must be expected to have an increased appraised ad valorem tax value of at least \$1,000,000 based upon the Cochran Central Appraisal District's assessment of the eligible property; and
2. Must be expected to prevent the loss of payroll or retain, increase, or create payroll on a permanent basis in the County.
3. Must not have the effect of transferring employment from one part of the County to another or unless there is a substantial threat of economic loss to the County.

Recapture: Any abatement agreement may be terminated, and all taxes previously abated by virtue of the agreement will be recaptured and paid within thirty (30) days of the termination if the company or individual:

1. Allows its ad valorem taxes owed the County to become delinquent and fails to timely and properly follow the legal procedures for their protest and /or contest;
2. Violates any of the terms and conditions of the abatement agreement; or
3. Vacates any of the improvements subject to the agreement before the term of the abatement; and fails to cure during the cure period.

Should the County determine that the company or individual is in default according to the terms and conditions of its agreement, the County shall notify the company or individual of such default in writing at the address stated in the agreement; and if such is not cured within thirty (30) days from the date of such notice ("Cure Period"), then the agreement may be terminated.

Taxes Abated: During the 2019 fiscal year the County tax abatement program resulted in the abatement of approximately \$1.6 million in property taxes as a result of lowered assessed values on qualified projects. The County received in lieu of taxes \$524,100 as part of the tax abatement agreement based on production.

REQUIRED SUPPLEMENTARY INFORMATION

COCHRAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Adjustments	Actual	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	Amounts Cash (Budget) Basis	Final Budget Positive or (Negative)
REVENUES:						
Taxes:						
Property Taxes	\$ 3,027,957	\$ 3,027,957	\$ 2,954,910	\$ (16,388)	\$ 2,938,522	\$ (89,435)
Penalty and Interest on Taxes	20,000	20,000	18,489	(168)	18,321	(1,679)
Licenses and Permits	6,000	6,000	371	35	406	(5,594)
Intergovernmental Revenue and Grants	70,500	70,500	174,357	-	174,357	103,857
Charges for Services	189,300	189,300	147,001	2,184	149,185	(40,115)
Fines	4,650	4,650	3,038	(178)	2,860	(1,790)
Investment Earnings	33,000	33,000	31,018	(245)	30,773	(2,227)
Rents and Royalties	36,750	36,750	38,100	-	38,100	1,350
Other Revenue	275,000	275,000	443,199	(29,947)	413,252	138,252
Total Revenues	3,663,157	3,663,157	3,810,483	(44,707)	3,765,776	102,619
EXPENDITURES:						
Current:						
General Government	2,036,219	2,036,219	1,688,540	(5,373)	1,683,167	353,052
Public Safety	1,481,994	1,481,994	1,327,236	17,463	1,344,699	137,295
Culture and Recreation	417,186	417,186	309,230	(817)	308,413	108,773
Capital Outlay:						
Capital Outlay	521,500	521,500	452,298	(55,900)	396,398	125,102
Total Expenditures	4,456,899	4,456,899	3,777,304	(44,627)	3,732,677	724,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(793,742)	(793,742)	33,179	(80)	33,099	826,841
OTHER FINANCING SOURCES (USES):						
Sale of Real and Personal Property	1,000	1,000	598	-	598	(402)
Transfers Out (Use)	(20,000)	(20,000)	(20,000)	-	(20,000)	-
Total Other Financing Sources (Uses)	(19,000)	(19,000)	(19,402)	-	(19,402)	(402)
Change in Fund Balance	(812,742)	(812,742)	13,777	(80)	13,697	826,439
Fund Balance - December 31, 2019	3,352,046	3,352,046	3,352,046	-	3,352,046	-
Fund Balance - December 31, 2020	\$ 2,539,304	\$ 2,539,304	\$ 3,365,823	\$ (80)	\$ 3,365,743	\$ 826,439

COCHRAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Adjustments	Actual	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	Amounts Cash (Budget) Basis	Final Budget Positive or (Negative)
REVENUES:						
Taxes:						
Property Taxes	\$ 1,096,815	\$ 1,096,815	\$ 1,211,368	\$ (5,041)	\$ 1,206,327	\$ 109,512
Penalty and Interest on Taxes	7,000	7,000	6,476	(61)	6,415	(585)
Licenses and Permits	160,000	160,000	161,616	1,459	163,075	3,075
Charges for Services	25,000	25,000	24,020	160	24,180	(820)
Fines	22,000	22,000	14,050	(214)	13,836	(8,164)
Investment Earnings	8,000	8,000	8,782	-	8,782	782
Other Revenue	-	-	47,751	607	48,358	48,358
Total Revenues	1,318,815	1,318,815	1,474,063	(3,090)	1,470,973	152,158
EXPENDITURES:						
Current:						
General Government	324,506	324,506	310,589	-	310,589	13,917
Highways and Streets	869,687	869,687	683,265	845	684,110	185,577
Capital Outlay:						
Capital Outlay	291,000	291,000	655,000	(347,522)	307,478	(16,478)
Total Expenditures	1,485,193	1,485,193	1,648,854	(346,677)	1,302,177	183,016
Excess (Deficiency) of Revenues Over (Under) Expenditures	(166,378)	(166,378)	(174,791)	343,587	168,796	335,174
OTHER FINANCING SOURCES (USES):						
Sale of Real and Personal Property	36,500	36,500	598,288	(348,000)	250,288	213,788
Total Other Financing Sources (Uses)	36,500	36,500	598,288	(348,000)	250,288	213,788
Change in Fund Balance	(129,878)	(129,878)	423,497	(4,413)	419,084	548,962
Fund Balance - December 31, 2019	1,171,104	1,171,104	1,171,104	-	1,171,104	-
Fund Balance - December 31, 2020	\$ 1,041,226	\$ 1,041,226	\$ 1,594,601	\$ (4,413)	\$ 1,590,188	\$ 548,962

COCHRAN COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS⁽¹⁾
FOR THE YEAR ENDED DECEMBER 31, 2020

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	301,105	286,656	279,990	296,657	274,074	250,249
Interest (on the total pension liability)	1,021,637	984,096	956,552	895,383	856,763	813,888
Changes of benefit terms	-	-	-	-	(40,960)	218,445
Difference between expected and actual experience	(117,270)	(113,362)	(301,374)	38,495	(113,333)	(82,713)
Change of assumptions	-	-	82,180	-	130,924	-
Benefit payments, including refunds of employee contributions	(719,591)	(697,580)	(670,872)	(551,267)	(642,260)	(597,096)
Net Change in Total Pension Liability	485,881	459,810	346,476	679,268	465,208	602,773
Total Pension Liability - Beginning	12,664,489	12,204,679	11,858,203	11,178,936	10,713,728	10,110,954
Total Pension Liability - Ending (a)	13,150,370	12,664,489	12,204,679	11,858,204	11,178,936	10,713,727
Plan Fiduciary Net Position						
Contributions - employer	385,575	374,568	370,386	381,338	366,118	510,645
Contributions - employee	153,771	147,844	145,593	146,929	143,294	140,347
Net investment income	1,997,727	(236,491)	1,622,423	764,682	(75,216)	676,398
Benefit payments, including refunds of employee contributions	(719,591)	(697,580)	(670,872)	(551,267)	(642,260)	(597,096)
Administrative expense	(10,643)	(9,770)	(8,372)	(8,306)	(7,505)	(7,965)
Other	(4,226)	(3,954)	(2,155)	61,449	15,577	(315,261)
Net Change in Plan Fiduciary Net Position	1,802,613	(425,383)	1,457,003	794,825	(199,992)	407,068
Plan Fiduciary Net Position - Beginning	12,163,834	12,589,218	11,132,215	10,337,390	10,537,382	10,130,313
Plan Fiduciary Net Position - Ending (b)	13,966,447	12,163,835	12,589,218	11,132,215	10,337,390	10,537,381
Net Pension Liability - Ending (a) - (b)	(816,077)	500,654	(384,539)	725,989	841,546	176,346
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.21%	96.05%	103.15%	93.88%	92.47%	98.35%
Covered Employee Payroll	2,196,724	2,112,058	2,079,894	2,098,984	2,047,062	2,004,962
Net Pension Liability as a Percentage of Covered Employee Payroll	-37.15%	23.70%	-18.49%	34.59%	41.11%	8.80%

⁽¹⁾ This schedule is intended to show 10 years - additional information will be presented as it becomes available.

COCHRAN COUNTY, TEXAS
 SCHEDULE OF CONTRIBUTIONS⁽¹⁾
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Fiscal Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 281,831	\$ 285,574	\$ 274,567	\$ 270,386	\$ 226,900	\$ 241,758
Contributions in relation to actuarially determined contribution	(281,831)	(285,574)	(274,567)	(270,386)	(226,900)	(241,758)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,167,934	\$ 2,196,724	\$ 2,112,058	\$ 2,079,894	\$ 2,098,982	\$ 2,047,062
Contributions as a percentage of covered employee payroll	13.00%	13.00%	13.00%	13.00%	10.81%	11.81%

⁽¹⁾ This schedule is intended to show 10 years - additional information will be presented as it becomes available.

COCHRAN COUNTY, TEXAS
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0.0 years (based on contribution rate calculate in 12/31/19 valuation)
Asset Valuation Method	5-yr smoothed market
Inflation	2.8%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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 Tables for males and 110% of the RP-2014 Healthy Annuitant 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: Employer contributions reflect that the current service matching rate was increased to 200%. 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.

COCHRAN COUNTY, TEXAS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS⁽¹⁾
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Plan Year Ended December 31,		
	2019	2018	2017
Total OPEB Liability			
Service cost	3,476	3,521	3,115
Interest (on the total OPEB liability)	6,781	6,381	7,383
Changes of benefit terms	-	-	-
Difference between expected and actual experience	2,676	(5,222)	(18,151)
Change of assumptions	34,215	(15,039)	6,638
Benefit payments, including refunds of employee contributions	(9,666)	(9,715)	(8,736)
Net Change in Total OPEB Liability	<u>37,482</u>	<u>(20,074)</u>	<u>(9,751)</u>
Total OPEB Liability - Beginning	<u>166,710</u>	<u>186,784</u>	<u>196,535</u>
Total OPEB Liability - Ending (a)	<u><u>204,192</u></u>	<u><u>166,710</u></u>	<u><u>186,784</u></u>
Covered Employee Payroll	2,196,724	2,112,058	2,079,894
Net Pension Liability as a Percentage of Covered Employee Payroll	9.30%	7.89%	8.98%

⁽¹⁾ This schedule is intended to show 10 years - additional information will be presented as it becomes available.

COCHRAN COUNTY, TEXAS
 NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line amortization of expected working life
Asset Valuation Method	N/A
Inflation	N/A
Salary Increases	N/A
Investment Rate of Return	2.74%, based on 20-year Bond GO Index published by bondbuyer.com as of December 26, 2019.
Cost-of-Living Adjustment	N/A
Disability	See Tables 1 thru 4 in the Milliman Valuation Report
Mortality	See Tables 1 thru 4 in the Milliman Valuation Report
Retirement	See Tables 1 thru 4 in the Milliman Valuation Report
Other Information:	There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COCHRAN COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	Love Memorial Library Fund	Personnel Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
ASSETS				
Cash and Cash Equivalents	\$ (4,268)	\$ 14,495	\$ 1,907	\$ 152,009
Investments - Current	36,328	-	-	-
Due from Other Funds	-	-	10	-
Total Assets	<u>\$ 32,060</u>	<u>\$ 14,495</u>	<u>\$ 1,917</u>	<u>\$ 152,009</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
Library Endowment Principal	28,083	-	-	-
Restricted Fund Balance:				
Highways & Streets	-	-	-	152,009
Courthouse Project	-	14,495	1,917	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Culture & Recreation	1,621	-	-	-
Airport Use	-	-	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	2,356	-	-	-
Total Fund Balances	<u>32,060</u>	<u>14,495</u>	<u>1,917</u>	<u>152,009</u>
Total Liabilities and Fund Balances	<u>\$ 32,060</u>	<u>\$ 14,495</u>	<u>\$ 1,917</u>	<u>\$ 152,009</u>

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

Clerk Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ 51,266	\$ 9,479	\$ 6,939	\$ 2,245	\$ 75,453	\$ 7,987	\$ 317,512
-	-	-	-	-	-	36,328
593	8	75	-	-	-	686
<u>\$ 51,859</u>	<u>\$ 9,487</u>	<u>\$ 7,014</u>	<u>\$ 2,245</u>	<u>\$ 75,453</u>	<u>\$ 7,987</u>	<u>\$ 354,526</u>
\$ -	\$ -	\$ -	\$ -	\$ 66	\$ -	\$ 66
-	-	-	-	66	-	66
-	-	-	-	-	-	28,083
-	-	-	-	-	-	152,009
-	-	7,014	2,245	-	-	25,671
51,859	9,487	-	-	-	-	61,346
-	-	-	-	-	7,987	9,608
-	-	-	-	75,387	-	75,387
-	-	-	-	-	-	2,356
<u>51,859</u>	<u>9,487</u>	<u>7,014</u>	<u>2,245</u>	<u>75,387</u>	<u>7,987</u>	<u>354,460</u>
<u>\$ 51,859</u>	<u>\$ 9,487</u>	<u>\$ 7,014</u>	<u>\$ 2,245</u>	<u>\$ 75,453</u>	<u>\$ 7,987</u>	<u>\$ 354,526</u>

COCHRAN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Love Memorial Library Fund	Personnel Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ -	\$ 16,532
Charges for Services	-	-	-	-
Fines	-	-	-	-
Investment Earnings	230	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	290	-
Total Revenues	<u>230</u>	<u>-</u>	<u>290</u>	<u>16,532</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Highways and Streets	-	-	-	13,250
Culture and Recreation	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>230</u>	<u>-</u>	<u>290</u>	<u>3,282</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	230	-	290	3,282
Fund Balance - December 31, 2019	<u>31,830</u>	<u>14,495</u>	<u>1,627</u>	<u>148,727</u>
Fund Balance - December 31, 2020	<u>\$ 32,060</u>	<u>\$ 14,495</u>	<u>\$ 1,917</u>	<u>\$ 152,009</u>

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

Clerk Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 6,963	\$ -	\$ -	\$ -	\$ 23,495
9,177	585	-	-	-	-	9,762
-	-	1,372	316	-	-	1,688
-	-	-	-	-	-	230
-	-	-	-	1,900	-	1,900
-	-	-	-	-	1,867	1,867
-	-	-	-	-	-	290
<u>9,177</u>	<u>585</u>	<u>8,335</u>	<u>316</u>	<u>1,900</u>	<u>1,867</u>	<u>39,232</u>
951	-	9,500	1	-	-	10,452
-	-	-	-	-	-	13,250
-	-	-	-	19,829	65	19,894
<u>951</u>	<u>-</u>	<u>9,500</u>	<u>1</u>	<u>19,829</u>	<u>65</u>	<u>43,596</u>
<u>8,226</u>	<u>585</u>	<u>(1,165)</u>	<u>315</u>	<u>(17,929)</u>	<u>1,802</u>	<u>(4,364)</u>
-	-	-	-	20,000	-	20,000
-	-	-	-	20,000	-	20,000
8,226	585	(1,165)	315	2,071	1,802	15,636
<u>43,633</u>	<u>8,902</u>	<u>8,179</u>	<u>1,930</u>	<u>73,316</u>	<u>6,185</u>	<u>338,824</u>
<u>\$ 51,859</u>	<u>\$ 9,487</u>	<u>\$ 7,014</u>	<u>\$ 2,245</u>	<u>\$ 75,387</u>	<u>\$ 7,987</u>	<u>\$ 354,460</u>

FIDUCIARY FUNDS

COCHRAN COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	County Clerk	District Clerk	County Sheriff	County Tax Assessor- Collector
ASSETS				
Cash and Cash Equivalents	\$ 6,552	\$ 189,280	\$ 1,330	\$ 334,632
Accounts Receivable	-	-	-	914
Total Assets	<u>6,552</u>	<u>189,280</u>	<u>1,330</u>	<u>335,546</u>
LIABILITIES				
Held for Others	-	187,416	-	224,733
Due to Other Governments	78	-	-	16,484
Due to Other Funds	6,246	1,811	1,270	94,329
Due to Fiduciary Funds	228	53	60	-
Total Liabilities	<u>6,552</u>	<u>189,280</u>	<u>1,330</u>	<u>335,546</u>
NET POSITION				
Individuals, Organizations, and Other Governments	-	-	-	-
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Justice of the Peace Precient One	Cochran Co. Juvenile Probation	L.E.O.S.E. Allocation	D.A. Forfeiture	Sheriff Forfeiture	State Fee	Total Custodial Funds
\$ 2,927	\$ 12,472	\$ 22,332	\$ 1,712	\$ 7,306	\$ -	\$ 578,543
-	-	-	-	-	-	914
<u>\$ 2,927</u>	<u>\$ 12,472</u>	<u>\$ 22,332</u>	<u>\$ 1,712</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ 579,457</u>
\$ -	\$ 3,354	\$ -	\$ -	\$ -	\$ -	\$ 415,503
-	-	-	-	-	-	16,562
1,619	-	1,530	-	1,186	-	107,991
1,308	-	-	-	-	-	1,649
<u>\$ 2,927</u>	<u>\$ 3,354</u>	<u>\$ 1,530</u>	<u>\$ -</u>	<u>\$ 1,186</u>	<u>\$ -</u>	<u>\$ 541,705</u>
-	9,118	20,802	1,712	6,120	-	37,752
<u>\$ -</u>	<u>\$ 9,118</u>	<u>\$ 20,802</u>	<u>\$ 1,712</u>	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ 37,752</u>

COCHRAN COUNTY, TEXAS
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION
 CUSTODIAL FUNDS
 DECEMBER 31, 2020

Data Control Codes	County Clerk	District Clerk	County Sheriff	County Tax Assessor- Collector
ADDITIONS:				
Tax Collections for Other Governments	\$ -	\$ -	\$ -	\$ 13,450,776
Held for Others	80,366	12,749	9,358	-
Investment Earnings	28	1,223	3	-
Total Additions	<u>80,394</u>	<u>13,972</u>	<u>9,361</u>	<u>13,450,776</u>
DEDUCTIONS:				
Payments to Other Governments	5,121	-	2,500	13,450,776
Payments to Individuals	75,273	13,972	6,861	-
Total Deductions	<u>80,394</u>	<u>13,972</u>	<u>9,361</u>	<u>13,450,776</u>
Change in Net Position	-	-	-	-
Total Net Position - December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Justice of the Peace Precient One	Cochran Co. Juvenile Probation	L.E.O.S.E. Allocation	D.A. Forfeiture	Sheriff Forfeiture	State Fee	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,450,776
24,252	38,832	2,091	-	1,681	-	169,329
9	-	-	-	-	-	1,263
<u>24,261</u>	<u>38,832</u>	<u>2,091</u>	<u>-</u>	<u>1,681</u>	<u>-</u>	<u>13,621,368</u>
1,540	-	-	-	-	-	13,459,937
22,721	36,472	3,015	-	1,818	-	160,132
<u>24,261</u>	<u>36,472</u>	<u>3,015</u>	<u>-</u>	<u>1,818</u>	<u>-</u>	<u>13,620,069</u>
-	2,360	(924)	-	(137)	-	1,299
-	<u>6,758</u>	<u>21,726</u>	<u>1,712</u>	<u>6,257</u>	<u>-</u>	<u>36,453</u>
<u>\$ -</u>	<u>\$ 9,118</u>	<u>\$ 20,802</u>	<u>\$ 1,712</u>	<u>\$ 6,120</u>	<u>\$ -</u>	<u>\$ 37,752</u>

OTHER SCHEDULES

COCHRAN COUNTY, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
DECEMBER 31, 2020

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE TAX PURPOSES	BEGINNING BALANCE 1/1/2020	CURRENT YEAR'S TOTAL LEVY	TOTAL COLLECTIONS	ADJUSTMENTS	ENDING BALANCE 12/31/2020
	LOCAL	ROAD & BRIDGE						
2011 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS	\$ 21,689	\$ -	\$ 407	\$ (413)	\$ 20,869
2012	\$ 0.3140	\$ 0.1250	\$ 927,176,833	4,094	-	42		4,052
2013	\$ 0.3700	\$ 0.1250	\$ 849,385,315	4,229	-	171	-	4,058
2014	\$ 0.3805	\$ 0.1501	\$ 824,008,528	7,128	-	332	-	6,796
2015	\$ 0.5988	\$ 0.2365	\$ 523,366,360	12,515	-	657	-	11,858
2016	\$ 0.8000	\$ 0.3000	\$ 308,423,554	18,940	-	1,472	-	17,468
2017	\$ 0.8000	\$ 0.3000	\$ 331,824,019	25,787	-	4,125	(27)	21,635
2018	\$ 0.7950	\$ 0.2950	\$ 355,223,348	66,082	-	16,090	(12,713)	37,279
2019	\$ 0.7700	\$ 0.2800	\$ 396,628,243	2,106,719	-	1,971,121	(26,443)	109,155
2020	\$ 0.7651	\$ 0.2647	\$ 401,831,630		4,140,828	2,031,554	(65,160)	2,044,114
TOTALS				\$ 2,267,183	\$ 4,140,828	\$ 4,025,971	\$ (104,756)	\$ 2,277,284

COCHRAN COUNTY, TEXAS
 TREVA JACKSON, TAX ASSESSOR-COLLECTOR
 RECONCILIATION OF CURRENT YEAR TAX ROLL
 FOR THE YEAR ENDED DECEMBER 31, 2020

TAX ROLL

2020 Assessed Tax Roll	\$	4,140,828
Add (Deduct): Adjustments		<u>(65,160)</u>
2020ADJUSTED TAX ROLL	\$	<u><u>4,075,668</u></u>
Valuations/\$100 x Tax Rate of \$1.0500	\$	4,075,668
Current Year Collections		<u>(2,031,554)</u>
UNPAID CURRENT YEAR TAXES	\$	<u><u>2,044,114</u></u>
Percent of Current Taxes Collected Through December 31, 2020		49.85%

COCHRAN COUNTY, TEXAS
SCHEDULE OF RISK MANAGEMENT PROVISIONS
DECEMBER 31, 2020

CARRIER	DOCUMENT NUMBER	EFFECTIVE DATE	RENEWAL DATE
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	WC-0400 20200101	06/25/74	01/01/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	99-991884-0	01/04/78	01/01/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CAS 0400 2020 0115-1	01/15/87	01/15/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CAS 0400 2020 0115-1	01/15/87	01/15/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2019 0701-1	02/13/90	07/01/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CAS 0400 2020 0411-2	04/11/88	04/11/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CAS 0400 2020 0411-2	04/11/88	04/11/20
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	NRCN-27445- AP	01/15/19	01/15/21
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2020 0701-1	02/13/90	07/01/20

RISK COVERED	AMOUNT OF COVERAGE	2020 CONTRIBUTION
WORKER'S COMPENSATION	STATUTORY BENEFITS	\$ 23,542
UNEMPLOYMENT COMPENSATION	STATUTORY BENEFITS	\$ 774
COMPREHENSIVE GENERAL LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 2,066
AUTOMOBILE LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 3,715
BUILDINGS, STRUCTURES, PERSONAL PROPERTY, BOILER - ALL-RISK FORM	\$13,640,000 \$1,000 - \$500,000 DED.	\$ 28,007
PUBLIC OFFICIALS LIABILITY	\$3,000,000 \$5,000 DEDUCTIBLE	\$ 6,282
LAW ENFORCEMENT LIABILITY	\$3,000,000 \$5,000 DEDUCTIBLE	\$ 7,714
AUTOMOBILE PHYSICAL DAMAGE	ACV \$1,000 DEDUCTIBLE	\$ 2,603
MOBILE EQUIPMENT PHYSICAL DAMAGE	\$5,000 DEDUCTIBLE	\$ 5,606

COCHRAN COUNTY, TEXAS
SCHEDULE OF FIDELITY AND SURETY BONDS
DECEMBER 31, 2020

SURETY	DOCUMENT NUMBER	OFFICE/PRINCIPAL
Old Republic	LPO2145092	County Judge/James Patrick Henry
Old Republic	W150274684	County Commissioner/Timothy Roberts
Old Republic	W150332757	County Commissioner/Matt Evans
Old Republic	W150274386	County Commissioner/Eric Silhan
Old Republic	LPO2145093	County Commissioner/Reynaldo Morin
Old Republic	W150304237	County Treasurer/Doris Sealy
Old Republic	LPO2133874	County Clerk/Shanna Dewbre
Old Republic	LPO2133875	District Clerk/Shanna Dewbre
Old Republic	W150274469	County Auditor/Beverly McClellan
Old Republic	W150304235	Justice of Peace/Donna Schmidt
Old Republic	W150304238	Tax Collector/Treva Jackson
Old Republic	W150304239	Tax Collector/Treva Jackson
Old Republic	POB2127511	Deputy Tax Assessor/Dixie Mendoza
Old Republic	W150304241	Elections Administrator/Cheryl Butler
Old Republic	W150274729	Constable/Benjamin Bristow
Old Republic	W150274466	Sheriff/Jorge De La Cruz
Old Republic	W150365408	Deputy Tax Assessor-Collector/Amy Downen
Old Republic	W150374410	County Attorney/Amanda Martin
Old Republic	W150377403	County Treasure Assistant/Karen Braswell

AMOUNT	OBLIGEE	APPROVED BY	PREMIUM
\$ 100,000	County Treasurer	Commissioners Court	\$ 350
\$ 3,000	County Treasurer	County Judge	\$ 50
\$ 3,000	County Treasurer	County Judge	\$ 50
\$ 3,000	County Treasurer	County Judge	\$ 50
\$ 3,000	County Treasurer	County Judge	\$ 50
\$ 50,000	County Judge	Commissioners Court	\$ 250
\$ 5,000	County	Commissioners Court	\$ 50
\$ 5,000	Governor of Texas	Commissioners Court	\$ 50
\$ 5,000	District Judge	District Judge	\$ 50
\$ 2,500	County Judge	County Judge	\$ 50
\$ 100,000	Commissioners Court	Commissioners Court	\$ 500
\$ 20,000	Governor of Texas	Commissioners Court, State Comptroller	\$ 100
\$ 10,000	County Tax Assessor	County Tax Assessor	\$ 50
\$ 5,000	County	County Judge	\$ 50
\$ 1,500	Governor of Texas	Commissioners Court	\$ 50
\$ 5,000	Governor of Texas	Commissioners Court	\$ 50
\$ 10,000	County Tax Assessor	County Tax Assessor	\$ 50
\$ 2,500	Governor of Texas	Commissioners Court	\$ 50
\$ 50,000	County Judge	Commissioners Court	\$ 50

INTERNAL CONTROL AND COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Cochran County Commissioners Court
Cochran County, Texas
Room 104 Courthouse
Morton, Texas 79346

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Cochran County, Texas' basic financial statements, and have issued our report thereon dated September 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cochran 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cochran County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Cochran County, Texas' internal control over financial reporting.

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 over financial reporting 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 Cochran County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Cochran County, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cochran County, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Commissioners' Court, management, others within the County, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

CMMS CPAs & Advisors, PLLC

CMMS CPAS & ADVISORS, PLLC
Levelland, TX 79336
September 17, 2021