

ARMSTRONG COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
DECEMBER 31, 2020**

ARMSTRONG COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2020

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PART I

INTRODUCTORY SECTION

ARMSTRONG COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2020

Hugh Reed	County Judge
Adam Ensey	Commissioner, Precinct #1
Dustin Sanders	Commissioner, Precinct #2
Robert Harris	Commissioner, Precinct #3
Mike Ollinger	Commissioner, Precinct #4
Dan Schaap	Judge, 47 th Judicial District
Randall Sims	District Attorney
Tawnee Blodgett	District/County Clerk
Jamie Craig	County Tax Assessor/Collector
Susan Overcast	County Treasurer
Fleta Barnett	County Sheriff
Jana Lemons	Justice of the Peace

PART II
FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Armstrong 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Armstrong County, Texas, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, the schedule of changes in pension liability and related ratios, the schedule of employer contributions, and the schedule of changes in total OPEB liability and related ratios on pages 38 – 43 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong County, Texas's basic financial statements. The combining nonmajor and agency fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

DOSHIER, PICKENS & FRANCIS, LLC

September 23, 2021

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BASIC FINANCIAL STATEMENTS

**ARMSTRONG COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,283,553
Investments	323,975
Accounts receivable, net	97,466
Taxes receivable, net	400,103
Due from other governmental entities	102,774
Prepaid expenses	15,987
Net pension asset	125,803
Capital assets, net of accumulated depreciation	2,324,626
	<u>5,674,287</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	44,411
Pension economic/demographic losses	10,947
Other postemployment benefit contributions	3,366
Other postemployment benefit economic/demographic losses	4,844
Other postemployment benefit assumption changes	20,150
	<u>83,718</u>
LIABILITIES	
Accounts payable	33,937
Bank overdraft liability	1,180
Due to other governmental entities	209,604
Accrued wages payable	12,960
Accrued interest	6,397
Noncurrent liabilities:	
Due within one year	253,046
Due in more than one year	124,200
Total other postemployment benefit liability	125,071
	<u>766,395</u>
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	2,171
Pension excess earnings	83,085
Other postemployment benefit economic/demographic gains	948
Other postemployment benefit assumption changes	6,059
	<u>92,263</u>
NET POSITION	
Net investment in capital assets	1,957,528
Restricted:	
By enabling legislation	307,970
Special purposes:	
Cemetery donations	392,328
Unrestricted	2,241,521
	<u>4,899,347</u>
Total net position	<u>\$ 4,899,347</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 340,465	\$ 205	\$ 177,155	\$ -	\$ (163,105)
Judicial	267,079	131,793	-	-	(135,286)
Elections	27,517	-	-	-	(27,517)
Financial administration	209,298	134,012	11,885	-	(63,401)
Public facilities	136,898	1,000	-	149,638	13,740
Corrections and rehabilitation	82,949	1,316	-	-	(81,633)
Public safety	563,144	2,634	23,594	48,000	(488,916)
Road and bridge	510,947	28,344	50,841	-	(431,762)
Community and economic development	57,272	-	-	-	(57,272)
Public service	5,406	-	-	-	(5,406)
Interest on long-term debt	10,233	-	-	-	(10,233)
Total	\$ 2,211,208	\$ 299,304	\$ 263,475	\$ 197,638	(1,450,791)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					949,392
Property taxes, levied for road and bridge					401,342
Payments in lieu of taxes					102,000
Sales tax					67,025
Investment earnings					16,079
Miscellaneous					50,034
Gain on disposal of assets					19,406
Total general revenues					1,605,278
Change in net position					154,487
Net position - beginning					4,355,358
Prior period restatement					389,502
Net position - beginning, as restated					4,744,860
Net position - ending					\$ 4,899,347

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

**ARMSTRONG COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge	AC Fire Station (AIP)
ASSETS			
Cash and cash equivalents	\$ 1,136,098	\$ 418,127	\$ 22,274
Investments	323,975	-	-
Accounts receivable, net	97,227	-	-
Taxes receivable, net	272,296	127,807	-
Due from other funds	37,600	-	-
Due from other governmental entities	85,706	17,068	-
Prepaid expenditures	15,987	-	-
	\$ 1,968,889	\$ 563,002	\$ 22,274
Total assets	\$ 1,968,889	\$ 563,002	\$ 22,274
LIABILITIES			
Accounts payable	\$ 23,731	\$ 9,703	\$ 125
Bank overdraft payable	-	-	-
Due to other funds	-	-	-
Due to other governmental entities	209,604	-	-
Accrued wages payable	9,530	3,243	-
	242,865	12,946	125
Total liabilities	242,865	12,946	125
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	176,582	85,046	-
Unavailable revenue - other receivables	70,523	-	-
	247,105	85,046	-
Total deferred inflows of resources	247,105	85,046	-
FUND BALANCES			
Non-spendable:			
Prepaid expenditures	15,987	-	-
Restricted:			
By enabling legislation	-	-	-
Donation	-	-	-
Committed for:			
Road and bridge	-	465,010	-
Capital purchases	-	-	-
Unassigned (deficit)	1,462,932	-	22,149
	1,478,919	465,010	22,149
Total fund balances	1,478,919	465,010	22,149
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,968,889	\$ 563,002	\$ 22,274

<u>Cemetery</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 392,747	\$ 314,307	\$ 2,283,553
-	-	323,975
-	239	97,466
-	-	400,103
-	-	37,600
-	-	102,774
-	-	15,987
<u>\$ 392,747</u>	<u>\$ 314,546</u>	<u>\$ 3,261,458</u>
\$ 232	\$ 146	\$ 33,937
-	1,180	1,180
-	37,600	37,600
-	-	209,604
187	-	12,960
<u>419</u>	<u>38,926</u>	<u>295,281</u>
-	-	261,628
-	-	70,523
<u>-</u>	<u>-</u>	<u>332,151</u>
-	-	15,987
-	307,970	307,970
392,328	-	392,328
-	-	465,010
-	6,430	6,430
-	(38,780)	1,446,301
<u>392,328</u>	<u>275,620</u>	<u>2,634,026</u>
<u>\$ 392,747</u>	<u>\$ 314,546</u>	<u>\$ 3,261,458</u>

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

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ARMSTRONG COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

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

Total fund balances - governmental funds	\$	2,634,026
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		2,324,626
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		332,151
The net pension asset is not a current financial resource and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		125,803
Pension and other postemployment benefit losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide statements.		
Pension economic/demographic losses		10,947
Other postemployment benefit economic/demographic losses		4,844
Other postemployment benefit assumption changes		20,150
Pension and other postemployment benefit contributions paid after the measurement date, December 31, 2018, and before December 31, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		44,411
Other postemployment benefit contributions		3,366
Pension and other postemployment benefit gains and excess earnings are shown as deferred inflows of resources in the government-wide statements.		
Pension economic/demographic gains		(2,171)
Pension excess earnings		(83,085)
Other postemployment benefit economic/demographic gains		(948)
Other postemployment benefit assumption changes		(6,059)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued interest payable		(6,397)
Notes payable		(367,099)
Landfill closure and post-closure costs		(10,147)
Other postemployment benefit liability		(125,071)
		(409,718)
Net position - governmental activities	\$	4,899,347

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

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

	<u>General</u>	<u>Road and Bridge</u>	<u>AC Fire Station (AIP)</u>
REVENUES			
Property taxes	\$ 956,016	\$ 405,315	\$ -
Payments in lieu of taxes	102,000	-	-
Sales tax	67,025	-	-
Licenses and fees	178,112	28,344	-
Fines and forfeitures	84,942	-	-
Intergovernmental	233,472	50,841	48,000
Investment earnings	11,097	1,125	573
Miscellaneous	40,273	3,436	-
	<u>1,672,937</u>	<u>489,061</u>	<u>48,573</u>
EXPENDITURES			
Current:			
Administrative	310,415	-	-
Judicial	240,202	-	-
Elections	27,212	-	-
Financial administration	200,902	-	-
Public facilities	59,777	-	-
Corrections and rehabilitation	72,346	-	-
Public safety	504,655	-	5,673
Road and bridge	-	373,451	-
Community and economic development	56,231	-	-
Public service	5,150	-	-
Debt service:			
Principal	-	140,083	-
Interest	-	12,362	-
Capital outlay	47,085	-	303,147
	<u>1,523,975</u>	<u>525,896</u>	<u>308,820</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	<u>148,962</u>	<u>(36,835)</u>	<u>(260,247)</u>
OTHER FINANCING SOURCES			
Proceeds from sale of assets	-	25,873	-
Transfers in	540	-	-
Transfers out	-	(530)	-
	<u>540</u>	<u>25,343</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>149,502</u>	<u>(11,492)</u>	<u>(260,247)</u>
FUND BALANCES - BEGINNING PRIOR PERIOD RESTATEMENT	<u>1,329,417</u>	<u>476,502</u>	<u>282,396</u>
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>1,329,417</u>	<u>476,502</u>	<u>282,396</u>
FUND BALANCES - ENDING	<u>\$ 1,478,919</u>	<u>\$ 465,010</u>	<u>\$ 22,149</u>

<u>Cemetery</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,361,331
-	-	102,000
-	-	67,025
-	13,656	220,112
-	-	84,942
-	128,800	461,113
3,243	41	16,079
<u>6,325</u>	<u>-</u>	<u>50,034</u>
<u>9,568</u>	<u>142,497</u>	<u>2,362,636</u>
6,732	6,941	324,088
-	10,984	251,186
-	-	27,212
-	-	200,902
-	-	59,777
-	-	72,346
-	2,915	513,243
-	-	373,451
-	-	56,231
-	-	5,150
-	-	140,083
-	-	12,362
<u>-</u>	<u>-</u>	<u>350,232</u>
<u>6,732</u>	<u>20,840</u>	<u>2,386,263</u>
<u>2,836</u>	<u>121,657</u>	<u>(23,627)</u>
-	-	25,873
-	-	540
<u>(10)</u>	<u>-</u>	<u>(540)</u>
<u>(10)</u>	<u>-</u>	<u>25,873</u>
<u>2,826</u>	<u>121,657</u>	<u>2,246</u>
-	153,963	2,242,278
<u>389,502</u>	<u>-</u>	<u>389,502</u>
<u>389,502</u>	<u>153,963</u>	<u>2,631,780</u>
<u>\$ 392,328</u>	<u>\$ 275,620</u>	<u>\$ 2,634,026</u>

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

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

Amounts reported for Governmental Activities in the Statement of Activities are different

Net change in fund balances - total governmental funds:	\$	2,246
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which depreciation, \$252,503, was exceeded by capital outlays, \$350,232, in the current period.</p>		
		97,729
<p>In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital asset sold.</p>		
		(6,467)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		(16,347)
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p> <p>Principal repayments:</p> <p style="padding-left: 20px;">Note payable</p>		
		140,083
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Accrued interest on debt, net change		2,128
Landfill closure and post-closure costs, net change		(255)
Deferred outflows of resources related to pensions		(191,214)
Deferred inflows of resources related to pensions		(85,256)
Net pension asset, net change		125,803
Net pension liability, net change		94,422
Deferred outflows of resources related to other postemployment benefits		16,881
Deferred inflows of resources related to other postemployment benefits		2,492
Total other postemployment benefit liability, net change		(27,758)
Change in net position - governmental activities	\$	154,487

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

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

ASSETS		
Cash and cash equivalents		\$ <u>90,967</u>
Total assets		\$ <u><u>90,967</u></u>
LIABILITIES		
Due to others		\$ 11,874
Due to other governments		12,976
Deposits		<u>66,117</u>
Total liabilities		\$ <u><u>90,967</u></u>

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

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Armstrong County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1890, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, are supported by taxes and inter-governmental revenue.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Government-Wide Statements – Continuation

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

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

Fund-Level Statements

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

Any fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

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

The County reports the following major governmental funds:

General Fund – The *General Fund* is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, financial administration, public safety, corrections and rehabilitation, and capital acquisition.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Fund-Level Statements – Continuation

Road and Bridge Fund – The *Road and Bridge Fund* is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

AC Fire Station (AIP) Fund – The *AC Fire Station (AIP) Fund* is a capital project fund used to account for the contractual rent revenue used for the construction and utilities of the fire station and staging area located in Washburn, Texas.

Cemetery Fund – The *Cemetery Fund* accounts for donated monies being held for the upkeep and benefit of the County Cemetery.

Additionally, the County reports the following fund types:

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

Capital Project Funds – The *Capital Project Funds* account for the financial resources designated for acquisition of fixed assets and construction projects.

Agency Funds – The *Agency Funds* account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes. TexPool and TEXAS LOGIC are duly chartered and administered by the Texas Treasury Safekeeping Trust Company and the portfolio normally consists of U.S. T-Bills or T-Notes, collateralized certificates of deposit, and repurchase agreements. The carrying value (cost) and market value are equal for these deposits.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

1. Deposits and Investments – Continuation

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

The Act requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management has established and reports appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Amounts due from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$673,399.

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

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections during the months of October through December are entitled to discounts offered by the County. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables are shown net of an allowance for uncollectible accounts of \$81,949.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management and archiving of public records, personnel and security for the courthouse, technology requirements for the justice court, costs of providing a defense to indigent persons, providing and maintaining a commissary for inmates, and enhancement of law enforcement operations with seized funds. All restrictions are enacted according to Texas statutes.)

5. Prepaid Items

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

6. Capital Assets

Capital assets, which include land, buildings and improvements, infrastructure, and equipment, are reported in the government-wide financial statements. The County has opted not to retroactively report infrastructure assets (assets acquired prior to January 1, 2004). According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	20-50 years
Infrastructure	40 years
Equipment	5-10 years

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

7. Compensated Absences

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

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

The County's permanent, full-time employees are entitled to vacations of up to a maximum of twenty-one days per year based on years of employment. Vacation time earned, but not taken, is paid at termination, but employees cannot accumulate more than seven days beyond one calendar year. Sick leave accrues at one day per month with a maximum of 120 working days, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and will not be paid on termination. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan and other postemployment benefit plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the County's pension plan and other postemployment benefit plan reported in the government-wide statement of net position.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

10. Pensions and Other Post-Employment Benefits

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

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

11. Fund Balances

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

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

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

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the Commissioners' Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners' Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

12. Net Position

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

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

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

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

13. Fund Balance Policies

When the County incurs an expenditure for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to July 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to July 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and the Road and Bridge Special Revenue Fund.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for both the General Fund and the Road and Bridge Special Revenue Fund.
5. Budgets for the General and Road and Bridge Special Revenue Funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the following departments of the General Fund: County Judge – Administrative (\$31,524), County Judge – Judicial (\$129), County Appraisal District (\$596), Emergency Management (\$60,483), Court Ordered Services (\$550), and Capital Outlay (13,616). Expenditures exceeded appropriations in the following departments of the Road and Bridge Fund: Debt service (\$152,445). The over expenditures in both Funds were funded by lower than budgeted expenditures in every other department. In total the General Fund expenditures were under budget by \$35,102 and the Road and Bridge Fund expenditures were under budget by \$8,337.

C. Deficit Fund Balance

At December 31, 2020, the following funds reported deficit fund balances: Sheriff Commissary, Jail Restoration and TxDOT Road Grant. The Commissary Fund overspent accumulated reserves while having inmate funds comingled in the account. The deficit will be covered by an operating transfer from the General Fund in future periods. The Jail Restoration Fund overspent the remaining proceeds received in previous years for the restoration of the County Jail. The deficit will be covered by operating transfers from the General Fund in future periods. The County did not request any reimbursement from the State of Texas to offset the expenditures in the TxDOT Road Grant Fund causing the deficit. The deficit will be covered in the next period by requesting and receiving state grant funds.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of December 31, 2020:

Cash and deposit balances consist of:

Petty cash funds	\$ 50
Bank deposits	1,825,462
Temporary investments - TexPool	549,008
	2,374,520
Total	\$ 2,374,520
	2,374,520

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Assets:	
Unrestricted	\$ 2,283,553
Fiduciary Funds Statement of Net Assets	90,967
	2,374,520
Total	\$ 2,374,520
	2,374,520

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

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental activities		
Certificates of deposit (interest rate 0.5%)	\$ 323,975	
	323,975	
Total fair value	\$ 323,975	
Portfolio weighted average maturity		365
		365

Custodial credit risk – deposits. As of December 31, 2020, the carrying amount of the County's deposits with financial institutions was \$2,149,437 and the bank's balance was \$2,218,481. Of the bank balance, \$734,296 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$1,484,185 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of December 31, 2020, the County had \$549,008 invested with the Texas Treasury Safekeeping Trust Company (TexPool). The Inter-local Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

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

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ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

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

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, readily available TexPool shares, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of December 31, 2020, 23% of the County's carrying value of cash was invested in pooled investment accounts. All other cash was deposited with the County's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2020 tax roll was \$.397562 per \$100, which means that the County has a tax margin of \$.402438 per \$100 and could raise up to \$943,472 additional revenue from the 2020 assessed valuation of \$234,463,920 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2020 tax roll was \$.178382 per \$100, which means that the County has a tax margin of \$.121618 per \$100 and could raise up to \$284,197 additional revenue from the 2020 assessed valuation of \$233,679,960 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received in October through December are entitled to discounts offered by the County. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

NOTE 5 – SALES TAX

The County is entitled by provision of the State of Texas to a one-cent sales tax on all sales that occur within the County. The tax is assessed as a property tax reduction, for the County to use as general revenues. This sales tax is remitted monthly by the Comptroller of the State of Texas.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted not to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 41,108	\$ -	\$ (6,467)	\$ -	\$ 34,641
Construction in progress	162,103	303,147	-	(453,247)	12,003
Total capital assets, not being depreciated	203,211	303,147	(6,467)	(453,247)	46,644
Capital assets, being depreciated:					
Buildings and improvements	2,027,411	6,500	-	453,247	2,487,158
Infrastructure	177,211	-	-	-	177,211
Equipment	2,324,040	40,585	-	-	2,364,625
Total capital assets, being depreciated	4,528,662	47,085	-	453,247	5,028,994
Less accumulated depreciation for:					
Buildings and improvements	(1,015,471)	(92,953)	-	-	(1,108,424)
Infrastructure	(11,464)	(4,430)	-	-	(15,894)
Equipment	(1,471,574)	(155,120)	-	-	(1,626,694)
Total accumulated depreciation	(2,498,509)	(252,503)	-	-	(2,751,012)
Total capital assets, being depreciated, net	2,030,153	(205,418)	-	453,247	2,277,982
Governmental activities capital assets, net	<u>\$ 2,233,364</u>	<u>\$ 97,729</u>	<u>\$ (6,467)</u>	<u>\$ -</u>	<u>\$ 2,324,626</u>

Construction in progress

The County has an active construction project as of December 31, 2020 for improvements to courthouse lighting. As of the December 31, 2020, the County has spent \$12,003 on courthouse lighting. The project is anticipated to be completed in the next year.

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ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended December 31, 2020 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 12,270
Judicial	2,547
Public facilities	76,867
Public safety	34,617
Road and bridge	126,202
	<hr/>
Total Depreciation Expense	\$ 252,503
	<hr/> <hr/>

NOTE 7 – RETIREMENT PLAN

Plan Description: Armstrong County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at www.tcdrs.org.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-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, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	72
Active employees	30

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ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

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

The County contributed using the actuarially determined rate of 4.79% for the months of the accounting year in 2019 and 5.41% for the months of the accounting year in 2020. The contribution rate payable by the employee members is 7.0% for fiscal year 2020 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

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

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

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

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

TCDRS system-wide economic assumptions:

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

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

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	1.50%

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

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

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	8.00%	2.30%

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

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

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

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

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

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

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

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

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

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 2,908,878	\$ 2,814,456	\$ 94,422
Changes for the year:			
Service cost	96,228	-	96,228
Interest on total pension liability (1)	235,440	-	235,440
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(4,342)	-	(4,342)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(20,659)	(20,659)	-
Benefit payments	(180,133)	(180,133)	-
Administrative expenses	-	(2,409)	2,409
Member contributions	-	54,002	(54,002)
Net investment income	-	462,301	(462,301)
Employer contributions	-	36,976	(36,976)
Other (3)	-	(3,319)	3,319
Balances as of December 31, 2019	<u>\$ 3,035,412</u>	<u>\$ 3,161,215</u>	<u>\$ (125,803)</u>

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

(2) No plan changes valued.

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

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County’s net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 3,331,142	\$ 3,035,412	\$ 2,780,036
Fiduciary net position	<u>3,161,215</u>	<u>3,161,215</u>	<u>3,161,215</u>
Net pension liability / (asset)	<u>\$ 169,927</u>	<u>\$ (125,803)</u>	<u>\$ (381,179)</u>

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

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

Pension Expense / (Income):

	January 1, 2019 to December 31, 2019
Service cost	\$ 96,228
Interest on total pension liability (1)	235,440
Effect of plan changes	-
Administrative expenses	2,409
Member contributions	(54,002)
Expected investment return net of investment expenses	(223,383)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	9,870
Recognition of assumption changes or inputs	8,072
Recognition of investment gains or losses	22,702
Other (2)	3,319
 Pension expense / (income)	 \$ 100,655

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

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

Deferred Inflows / Outflows of Resources: As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,171	\$ 10,947
Changes of assumptions	-	-
Net difference between projected and actual earnings	83,085	-
Contributions made subsequent to measurement date	N/A	44,411

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

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

Year ended December 31:	
2020	\$ (12,781)
2021	(24,586)
2022	10,841
2023	(47,783)
2024	-
Thereafter	-

NOTE 8 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description: Armstrong County, Texas participates in the retiree Group Term Life program (GTL) for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Benefits Provided: All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the other postemployment benefit plan (OPEB). The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL Fund does not meet the requirements of a trust under paragraph 4b of GASB Statement 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. 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 January 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.

Employees Covered by Benefit Terms: At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	11
Active employees	30

Total OPEB Liability: The County's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

All actuarial assumptions that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

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

Discount Rate: The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB Statement 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 4.10% 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 Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2018	\$ 97,313
Changes for the year:	
Service cost	3,189
Interest on total OPEB liability (1)	4,050
Changes of benefit terms (2)	-
Effect of economic/demographic experience	829
Effect of assumptions changes or inputs (3)	23,162
Benefit payments	(3,472)
Other	-
Balances as of December 31, 2019	\$ 125,071

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

(2) No plan changes valued.

(3) Reflects change in discount rate.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

Sensitivity of the net pension liability / (asset) 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 the what the 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 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Total OPEB liability	\$ 148,083	\$ 125,071	\$ 107,313

OPEB Expense / (Income):

	January 1, 2019 to December 31, 2019
Service cost	\$ 3,189
Interest on total OPEB liability (1)	4,050
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	1,086
Recognition of assumption changes or inputs	3,424
Other	-
OPEB expense / (income)	\$ 11,749

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

Deferred Inflows / Outflows of Resources: As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 948	\$ 4,844
Changes of assumptions	6,059	20,150
Contributions made subsequent to measurement date	N/A	3,366

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

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

Year ended December 31:	
2020	\$ 4,510
2021	4,506
2022	4,172
2023	4,799
2024	-
Thereafter	-

NOTE 9 – CONCENTRATION OF TAXPAYERS

As of December 31, 2020, the following taxpayers accounted for a significant portion of the County’s total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Public Electric Utility	\$ 298,508	22.14 %
Taxpayer B	Railroad	166,811	12.37

NOTE 10 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General Fund	\$ 37,600	\$ -
Capital Project Funds:		
Jail Restoration	-	6,802
TxDOT Road Grant	-	30,798
	<u>\$ 37,600</u>	<u>\$ 37,600</u>

The primary purpose of inter-fund receivables and payables is the loaning of funds from the General Fund to Capital Project Funds for the purpose of meeting current year expenditures.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 540	\$ -
Special Revenue Fund:		
Road and Bridge	-	530
Cemetery	-	10
	<u>\$ 540</u>	<u>\$ 540</u>

The primary purpose for inter-fund transfers is to move revenues from various funds to finance programs and operations in other funds that the County must account for separately in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 11 – TAX ABATEMENTS

During the year ended December 31, 2015, Armstrong County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Armstrong County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with an anticipated nameplate capacity of approximately 75 megawatts of overall turbine nameplate capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due. In addition to the commitments for eligibility, the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period; this resulted in payments in lieu of taxes for the current year of \$102,000.

During the year ended December 31, 2016, Armstrong County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Armstrong County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum nameplate capacity of 25 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due. In addition to the commitments for eligibility, the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period; this has not resulted in a payment to County as of December 31, 2020 as the Company has not presented a Certificate of Completed Construction to the County.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 – TAX ABATEMENTS - Continuation

During the year ended December 31, 2017, Armstrong County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Armstrong County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with an anticipated nameplate capacity of up to 248 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due. In addition to the commitments for eligibility, the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period; this has not resulted in a payment to County as of December 31, 2020 as the Company has not presented a Certificate of Completed Construction to the County.

During the year ended December 31, 2017, Armstrong County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Armstrong County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with an anticipated nameplate capacity of up to 248 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due. In addition to the commitments for eligibility, the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period; this has not resulted in a payment to County as of December 31, 2020 as the Company has not presented a Certificate of Completed Construction to the County.

For the year ended December 31, 2020, Armstrong County abated property taxes totaling \$258,477 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to Route 66 Wind II, LLC, and the abatement amounted to \$258,477.

NOTE 12 – OPERATING LEASES

The County leases various pieces of equipment under non-cancelable operating leases. Total costs for such leases were \$4,025 for the year ended December 31, 2020. The future minimum lease payments for these are as follows:

For Year Ended:					
	2021	\$		4,025	
	2022			2,348	
				2,348	
	Total Future Lease Payments	\$		6,373	

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 – LONG-TERM LIABILITIES

In 2016 the County financed a capital purchase of a cab tractor with a local financial institution. Principal and interest payments are to be made annually. The interest rate is 3.00% and the debt is collateralized by the purchased equipment.

In 2018 the County financed a capital purchase of a CAT motor grader with a local financial institution. Principal and interest payments are to be made annually. The interest rate is 3.04% and the debt is collateralized by the purchased equipment.

In 2019 the County financed a capital purchase of a John Deere tractor and loader with a local financial institution. Principal and interest payments are to be made annually. The interest rate is 3.60% and the debt is collateralized by the purchased equipment.

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
2016 Note Payable	\$ 207,300	\$ -	\$ (18,443)	\$ 188,857	\$ 188,857
2016 Note Payable	20,691	-	(20,691)	-	-
2018 Note Payable	182,931	-	(43,700)	139,231	45,027
2018 Note Payable	38,760	-	(38,760)	-	-
2019 Note Payable	57,500	-	(18,489)	39,011	19,162
Landfill closure costs	9,892	255	-	10,147	-
Net pension liability	94,422	-	(94,422)	-	-
Total OPEB liability	97,313	27,758	-	125,071	-
Governmental activity long-term liabilities	<u>\$ 708,809</u>	<u>\$ 28,013</u>	<u>\$ (234,505)</u>	<u>\$ 502,317</u>	<u>\$ 253,046</u>

The County paid interest expense of \$10,233 during the year ended December 31, 2020.

The annual debt service requirement on long-term liabilities outstanding as of December 31, 2020 is as follows:

Year Ended	Total	2016 Note Payable (motor grader)		2018 Note Payable (motor grader)		2019 Note Payable (tractor and loader)	
		Interest	Principal	Interest	Principal	Interest	Principal
2021	\$ 262,455	\$ 3,785	\$ 188,857	\$ 4,223	\$ 45,027	\$ 1,401	\$ 19,162
2022	69,823	-	-	2,863	46,397	714	19,849
2023	49,260	-	-	1,453	47,807	-	-
	<u>\$ 381,538</u>	<u>\$ 3,785</u>	<u>\$ 188,857</u>	<u>\$ 8,539</u>	<u>\$ 139,231</u>	<u>\$ 2,115</u>	<u>\$ 39,011</u>

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require that most cities and counties place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under Subtitle D.

The County has one landfill site permitted as follows: MSW 414. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on estimated future closure and post closure care costs that will be incurred near or after the date that the landfills no longer accepts solid waste. The estimated total current cost of the landfill closure and post closure care of \$13,236 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2020. The recognition of the estimated total current cost is based on the amount of the landfills used during the year. The estimated liability for closure and post closure cost accrued on the County's books for the year ended December 31, 2020 was \$10,147, which is based on accumulated usage of landfill area. It is estimated that an additional \$3,089 will be recognized as closure and post closure expenses between the balance sheet date and the date that the landfills are filled to capacity. As of December 31, 2020, the County has used approximately 76.67% of the available landfill capacity for the permit MSW 414. The County expects to close MSW 414 in the year 2040. However, the actual cost of closure and post closure care is subject to change due to inflation, changes in technology, or changes in landfill laws and regulations.

Armstrong County, Texas has demonstrated financial assurance for closure post closure care cost associated with the landfill by satisfying the financial test specified in Sub-chapter K of 31 Texas Administrative Code 330,285(g). In the opinion of County management, all financial assurance requirements have been met at December 31, 2020. The County has the option of securing a surety bond in an amount that approximates the current closure and post-closure care costs in lieu of the financial assurance tests. Armstrong County has secured such a surety bond, in the amount of \$20,000, in addition to meeting the financial assurance requirements required by the Texas Commission of Environmental Quality.

NOTE 15 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas, with the exception of the County not insuring road equipment for property coverage. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 16 – PRIOR PERIOD ADJUSTMENT

	Government- Wide Statements	Fund Level Statements
	Governmental Activities	Cemetery
Net position/fund balance as of December 31, 2019, as previously reported	\$ 4,355,358	\$ -
To report the County controlled Cemetery Fund as a Special Revenue Fund. Previously it was an agency fund under the Cemetery Board.	389,502	389,502
Total net restatement	389,502	389,502
Net position/fund balance as of January 1, 2020, as restated	\$ 4,744,860	\$ 389,502

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 934,300	\$ 934,300	\$ 956,016	\$ 21,716
Payments in lieu of taxes	-	-	102,000	102,000
Sales tax	42,500	42,500	67,025	24,525
Licenses and fees	231,810	231,810	178,112	(53,698)
Fines and forfeitures	231,000	231,000	84,942	(146,058)
Intergovernmental	148,442	148,442	233,472	85,030
Investment earnings	7,000	7,000	11,097	4,097
Miscellaneous	6,100	6,100	40,273	34,173
	<u>1,601,152</u>	<u>1,601,152</u>	<u>1,672,937</u>	<u>71,785</u>
EXPENDITURES				
Current:				
Administrative				
County judge	41,527	41,527	73,051	(31,524)
Dues	3,320	3,320	1,967	1,353
Other	271,865	271,865	235,397	36,468
	<u>316,712</u>	<u>316,712</u>	<u>310,415</u>	<u>6,297</u>
Judicial				
County judge	64,053	64,053	64,182	(129)
Juvenile services	700	700	35	665
District clerk	97,889	97,889	83,746	14,143
Justice of the peace	64,237	64,237	57,300	6,937
Jury	2,100	2,100	1,360	740
Other	49,539	49,539	33,579	15,960
	<u>278,518</u>	<u>278,518</u>	<u>240,202</u>	<u>38,316</u>
Elections				
Administration	27,967	27,967	27,212	755
	<u>27,967</u>	<u>27,967</u>	<u>27,212</u>	<u>755</u>
Financial administration				
Treasurer	91,833	91,833	80,637	11,196
County tax assessor/collector	62,578	62,578	60,442	2,136
County Appraisal District	59,227	59,227	59,823	(596)
	<u>213,638</u>	<u>213,638</u>	<u>200,902</u>	<u>12,736</u>
Public facilities				
Courthouse maintenance	71,737	71,737	54,200	17,537
Activity building	8,504	8,504	5,577	2,927
	<u>80,241</u>	<u>80,241</u>	<u>59,777</u>	<u>20,464</u>

Continued

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

Continuation

Corrections and rehabilitation				
Jail housing and booking	\$ 71,096	\$ 71,096	\$ 70,546	\$ 550
Supervision	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>-</u>
Total corrections and rehabilitation	<u>72,896</u>	<u>72,896</u>	<u>72,346</u>	<u>550</u>
Public safety				
County sheriff	309,113	309,113	288,730	20,383
Emergency management	90,442	90,442	150,925	(60,483)
Volunteer Fire Departments	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Total public safety	<u>464,555</u>	<u>464,555</u>	<u>504,655</u>	<u>(40,100)</u>
Community and economic development				
Home economic agent	20,580	20,580	19,419	1,161
County agricultural agent	<u>45,351</u>	<u>45,351</u>	<u>36,812</u>	<u>8,539</u>
Total community and economic development	<u>65,931</u>	<u>65,931</u>	<u>56,231</u>	<u>9,700</u>
Public services				
Indigent health care	24,714	24,714	600	24,114
Court ordered services	<u>4,000</u>	<u>4,000</u>	<u>4,550</u>	<u>(550)</u>
Total public services	<u>28,714</u>	<u>28,714</u>	<u>5,150</u>	<u>23,564</u>
Capital outlay	<u>33,469</u>	<u>33,469</u>	<u>47,085</u>	<u>(13,616)</u>
Total expenditures	<u>1,553,927</u>	<u>1,553,927</u>	<u>1,523,975</u>	<u>35,102</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,225</u>	<u>47,225</u>	<u>148,962</u>	<u>106,887</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>540</u>	<u>540</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>540</u>	<u>540</u>
NET CHANGE IN FUND BALANCE	47,225	47,225	149,502	102,277
FUND BALANCE - BEGINNING	<u>1,329,417</u>	<u>1,329,417</u>	<u>1,329,417</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,376,642</u>	<u>\$ 1,376,642</u>	<u>\$ 1,478,919</u>	<u>\$ 102,277</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 426,520	\$ 426,520	\$ 405,315	\$ (21,205)
Licenses and fees	24,500	24,500	28,344	3,844
Intergovernmental	52,500	52,500	50,841	(1,659)
Investment earnings	100	100	1,125	1,025
Miscellaneous	12,102	12,102	3,436	(8,666)
	<u>515,722</u>	<u>515,722</u>	<u>489,061</u>	<u>(26,661)</u>
Total revenues				
EXPENDITURES				
Current:				
Road and bridge				
Precinct 1	67,967	67,967	56,648	11,319
Precinct 2	69,467	69,467	60,101	9,366
Precinct 3	72,467	72,467	59,390	13,077
Precinct 4	74,467	74,467	67,910	6,557
County-wide	147,869	147,869	119,975	27,894
Landfill	9,530	9,530	9,427	103
	<u>441,767</u>	<u>441,767</u>	<u>373,451</u>	<u>68,316</u>
Total road and bridge				
Debt Service:				
Principal	-	-	140,083	(140,083)
Interest	-	-	12,362	(12,362)
Capital outlay	92,466	92,466	-	92,466
	<u>534,233</u>	<u>534,233</u>	<u>525,896</u>	<u>8,337</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,511)</u>	<u>(18,511)</u>	<u>(36,835)</u>	<u>(18,324)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	25,873	25,873
Transfers out	-	-	(530)	(530)
	<u>-</u>	<u>-</u>	<u>25,343</u>	<u>25,343</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE	(18,511)	(18,511)	(11,492)	7,019
FUND BALANCE - BEGINNING	<u>476,502</u>	<u>476,502</u>	<u>476,502</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 457,991</u>	<u>\$ 457,991</u>	<u>\$ 465,010</u>	<u>\$ 7,019</u>

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

	Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability:				
Service cost	\$ 96,228	\$ 83,936	\$ 88,162	\$ 84,449
Interest on total pension liability	235,440	222,461	210,388	198,331
Effect of plan changes	-	-	12,864	-
Effect of assumption changes or inputs	-	-	24,216	-
Effect of economic/demographic (gains) or losses	(4,342)	32,839	3,284	(4,704)
Benefit payments/refunds of contributions	(200,792)	(182,168)	(188,971)	(163,482)
Net change in total pension liability	126,534	157,068	149,943	114,594
Total pension liability, beginning	2,908,878	2,751,810	2,601,867	2,487,273
Total pension liability, ending (a)	<u>\$ 3,035,412</u>	<u>\$ 2,908,878</u>	<u>\$ 2,751,810</u>	<u>\$ 2,601,867</u>
Fiduciary Net Position:				
Employer contributions	\$ 36,976	\$ 35,072	\$ 34,506	\$ 34,891
Member contributions	54,002	51,185	51,570	47,986
Investment income net of investment expenses	462,301	(56,432)	390,596	189,713
Benefit payments/refunds of contributions	(200,792)	(182,168)	(188,971)	(163,482)
Administrative expenses	(2,409)	(2,261)	(1,976)	(2,059)
Other	(3,319)	(2,559)	(1,398)	20,809
Net change in fiduciary net position	346,759	(157,163)	284,327	127,858
Fiduciary net position, beginning	2,814,456	2,971,619	2,687,292	2,559,434
Fiduciary net position, ending (b)	<u>\$ 3,161,215</u>	<u>\$ 2,814,456</u>	<u>\$ 2,971,619</u>	<u>\$ 2,687,292</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (125,803)</u>	<u>\$ 94,422</u>	<u>\$ (219,809)</u>	<u>\$ (85,425)</u>
Fiduciary net position as a % of total pension liability	104.14%	96.75%	107.99%	103.28%
Pensionable covered payroll	\$ 771,455	\$ 731,211	\$ 736,719	\$ 685,509
Net pension liability / (asset) as a % of covered payroll	-16.31%	12.91%	-29.84%	-12.46%

Year Ended December 31,

2015	2014	2013	2012	2011	2010
\$ 91,272	\$ 79,674	\$ N/A	\$ N/A	\$ N/A	\$ N/A
187,053	173,152	N/A	N/A	N/A	N/A
(5,509)	-	N/A	N/A	N/A	N/A
27,002	-	N/A	N/A	N/A	N/A
(11,325)	6,339	N/A	N/A	N/A	N/A
<u>(108,356)</u>	<u>(99,347)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
180,137	159,818	N/A	N/A	N/A	N/A
<u>2,307,136</u>	<u>2,147,318</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 2,487,273</u>	<u>\$ 2,307,136</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 38,771	\$ 41,969	\$ N/A	\$ N/A	\$ N/A	\$ N/A
51,696	47,904	N/A	N/A	N/A	N/A
(10,739)	163,728	N/A	N/A	N/A	N/A
(108,356)	(99,347)	N/A	N/A	N/A	N/A
(1,851)	(1,929)	N/A	N/A	N/A	N/A
7,133	8,080	N/A	N/A	N/A	N/A
(23,346)	160,405	N/A	N/A	N/A	N/A
<u>2,582,780</u>	<u>2,422,375</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 2,559,434</u>	<u>\$ 2,582,780</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ (72,161)</u>	<u>\$ (275,644)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
102.90%	111.95%	N/A	N/A	N/A	N/A
\$ 738,508	\$ 684,342	\$ N/A	\$ N/A	\$ N/A	\$ N/A
-9.77%	-40.28%	N/A	N/A	N/A	N/A

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

<u>Year Ending December 31:</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 38,771	\$ 38,771	\$ -	\$ 738,498	5.2%
2016	34,891	34,891	-	688,184	5.1%
2017	34,506	34,506	-	737,311	4.7%
2018	35,072	35,072	-	732,197	4.8%
2019	36,976	36,976	-	771,948	4.8%
2020	41,590	44,411	(2,821)	768,753	5.8%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that a 30% CPI COLA was adopted

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

	Year Ended December 31,			
	2019	2018	2017	2016
Total OPEB Liability:				
Service cost	\$ 3,189	\$ 3,757	\$ 3,121	\$ N/A
Interest on total OPEB liability	4,050	3,386	3,484	N/A
Effect of plan changes	-	-	-	N/A
Effect of assumption changes or inputs	829	(10,097)	4,053	N/A
Effect of economic/demographic (gains) or losses	23,162	6,967	(2,367)	N/A
Benefit payments	(3,472)	(2,705)	(2,652)	N/A
Net change in total OPEB liability	27,758	1,308	5,639	N/A
Total OPEB liability, beginning	97,313	96,005	90,366	N/A
Total OPEB liability, ending	<u>\$ 125,071</u>	<u>\$ 97,313</u>	<u>\$ 96,005</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 771,455	\$ 731,211	\$ 736,719	\$ N/A
Total OPEB liability as a % of covered employee payroll	16.21%	13.31%	13.03%	N/A

Notes to Schedule:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary increases	Does not apply
Investment rate of return	2.74% (20 Year Bond GO Index published by bondbuyer.com as of December 31, 2019)

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

Records Management – The Records Management Fund accounts for fees collected by the County Clerk after the filing and recording of a document in the records office of the Clerk. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

District Records Management – The District Records Management Fund accounts for fees collected by the District Clerk after the filing of a suit. The fees are dedicated by law to be used for specific records management and preservation purposes.

Archive – The Archive Fund accounts for fees collected by the County Clerk for the recording or filing of public documents. The fees are dedicated by law to be expended only for the preservation and restoration of the County Clerk's record archive.

Courthouse Security – The Courthouse Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Justice Court Technology – The Justice Court Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

Task Force Indigent Defense – The Task Force Indigent Defense Fund accounts for fees collected by the County Clerk on all cases heard by a Justice of the Peace. The fees are dedicated by law to aid the defense of an indigent person.

Sheriff Commissary – The Sheriff Commissary Fund accounts for the proceeds received by the Sheriff's office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff's Department.

Sheriff Seizure – The Sheriff Seizure Fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by the office of the County Sheriff. The funds are dedicated by law to be used solely for law enforcement purposes.

HAVA Election Grant – The HAVA Election Grant Fund accounts for funds received from the Help Americans Vote Act. The revenues are to be used to pay only those expenses related to elections.

LEOSE – The LEOSE Fund accounts for funds received from the State of Texas to be used to increase the ethical standards and education of law enforcement officers within the County.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for financial resources designated for acquisition of fixed assets and construction projects.

Jail Restoration – The Jail Restoration Fund was created to account for the grants received, as well as expenditures for the purpose of restoring and renovating the County Jail.

TxDOT Road Grant – The TxDOT Road Grant Fund is a capital projects fund used to account for the grants received, as well as expenditures for the purpose of replacing certain county roads.

Capital Outlay – The Capital Outlay Fund was created to account for funds committed for the purpose of future purchases of capital assets.

**ARMSTRONG COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue		
	Records Management	District Records Management	Archive
ASSETS			
Cash and cash equivalents	\$ 619	\$ 6,535	\$ 48,263
Accounts receivable	130	25	50
	\$ 749	\$ 6,560	\$ 48,313
LIABILITIES			
Accounts payable	\$ 139	\$ -	\$ -
Bank overdraft payable	-	-	-
Due to other funds	-	-	-
	139	-	-
FUND BALANCES			
Restricted:			
By enabling legislation	610	6,560	48,313
Capital purchases	-	-	-
Unassigned (deficit)	-	-	-
	610	6,560	48,313
Total liabilities and fund balances	\$ 749	\$ 6,560	\$ 48,313

Special Revenue

Courthouse Security	Justice Court Technology	Task Force Indigent Defense	Sheriff Commissary	Sheriff Seizure	HAVA Election Grant
\$ 59,122	\$ 18,773	\$ 44,305	\$ -	\$ 9,092	\$ 120,014
34	-	-	-	-	-
<u>\$ 59,156</u>	<u>\$ 18,773</u>	<u>\$ 44,305</u>	<u>\$ -</u>	<u>\$ 9,092</u>	<u>\$ 120,014</u>
\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,180	-	-
-	-	-	-	-	-
<u>7</u>	<u>-</u>	<u>-</u>	<u>1,180</u>	<u>-</u>	<u>-</u>
59,149	18,773	44,305	-	9,092	120,014
-	-	-	-	-	-
-	-	-	(1,180)	-	-
<u>59,149</u>	<u>18,773</u>	<u>44,305</u>	<u>(1,180)</u>	<u>9,092</u>	<u>120,014</u>
<u>\$ 59,156</u>	<u>\$ 18,773</u>	<u>\$ 44,305</u>	<u>\$ -</u>	<u>\$ 9,092</u>	<u>\$ 120,014</u>

Continued

**ARMSTRONG COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

Continuation	Special Revenue		Capital Projects
	LEOSE	Total	Jail Restoration
ASSETS			
Cash and cash equivalents	\$ 1,154	\$ 307,877	\$ -
Accounts receivable	-	239	-
	<u>1,154</u>	<u>308,116</u>	<u>-</u>
Total assets	<u>\$ 1,154</u>	<u>\$ 308,116</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ -	\$ 146	\$ -
Bank overdraft payable	-	1,180	-
Due to other funds	-	-	6,802
	<u>-</u>	<u>1,326</u>	<u>6,802</u>
Total liabilities	<u>-</u>	<u>1,326</u>	<u>6,802</u>
FUND BALANCES			
Restricted:			
By enabling legislation	1,154	307,970	-
Capital purchases	-	-	-
Unassigned (deficit)	-	(1,180)	(6,802)
	<u>1,154</u>	<u>306,790</u>	<u>(6,802)</u>
Total fund balances	<u>1,154</u>	<u>306,790</u>	<u>(6,802)</u>
Total liabilities and fund balances	<u>\$ 1,154</u>	<u>\$ 308,116</u>	<u>\$ -</u>

Capital Projects

TxDOT Road Grant	Capital Outlay	Total	Total Non-Major Governmental Funds
\$ -	\$ 6,430	\$ 6,430	\$ 314,307
-	-	-	239
<u>\$ -</u>	<u>\$ 6,430</u>	<u>\$ 6,430</u>	<u>\$ 314,546</u>
\$ -	\$ -	\$ -	\$ 146
-	-	-	1,180
30,798	-	37,600	37,600
<u>30,798</u>	<u>-</u>	<u>37,600</u>	<u>38,926</u>
-	-	-	307,970
-	6,430	6,430	6,430
(30,798)	-	(37,600)	(38,780)
<u>(30,798)</u>	<u>6,430</u>	<u>(31,170)</u>	<u>275,620</u>
<u>\$ -</u>	<u>\$ 6,430</u>	<u>\$ 6,430</u>	<u>\$ 314,546</u>

ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Special Revenue</u>		
	<u>Records Management</u>	<u>District Records Management</u>	<u>Archive</u>
REVENUES			
Licenses and fees	\$ 205	\$ 849	\$ 9,979
Intergovernmental	-	-	-
Investment earnings	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	205	849	9,979
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	6,941	-	-
Judicial	-	-	-
Public safety	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	6,941	-	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,736)	849	9,979
FUND BALANCES - BEGINNING (DEFICIT)	<hr/> 7,346	<hr/> 5,711	<hr/> 38,334
FUND BALANCES - ENDING (DEFICIT)	<hr/> <u>\$ 610</u>	<hr/> <u>\$ 6,560</u>	<hr/> <u>\$ 48,313</u>

Special Revenue

<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>Task Force Indigent Defense</u>	<u>Sheriff Commissary</u>	<u>Sheriff Seizure</u>	<u>HAVA Election Grant</u>
\$ 1,598	\$ 960	\$ -	\$ 65	\$ -	\$ -
-	-	8,800	-	-	120,000
-	-	-	-	27	14
<u>1,598</u>	<u>960</u>	<u>8,800</u>	<u>65</u>	<u>27</u>	<u>120,014</u>
-	-	-	-	-	-
274	10,710	-	-	-	-
-	-	-	2,915	-	-
<u>274</u>	<u>10,710</u>	<u>-</u>	<u>2,915</u>	<u>-</u>	<u>-</u>
1,324	(9,750)	8,800	(2,850)	27	120,014
<u>57,825</u>	<u>28,523</u>	<u>35,505</u>	<u>1,670</u>	<u>9,065</u>	<u>-</u>
<u>\$ 59,149</u>	<u>\$ 18,773</u>	<u>\$ 44,305</u>	<u>\$ (1,180)</u>	<u>\$ 9,092</u>	<u>\$ 120,014</u>

Continued

**ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Continuation	Special Revenue		Capital Projects
	LEOSE	Total	Jail Restoration
REVENUES			
Licenses and fees	\$ -	\$ 13,656	\$ -
Intergovernmental	-	128,800	-
Investment earnings	-	41	-
Total revenues	-	142,497	-
EXPENDITURES			
Current:			
Administrative	-	6,941	-
Judicial	-	10,984	-
Public safety	-	2,915	-
Total expenditures	-	20,840	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	121,657	-
FUND BALANCES - BEGINNING (DEFICIT)	1,154	185,133	(6,802)
FUND BALANCES - ENDING (DEFICIT)	\$ 1,154	\$ 306,790	\$ (6,802)

Capital Projects

TxDOT Road Grant	Capital Outlay	Total	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 13,656
-	-	-	128,800
-	-	-	41
-	-	-	142,497
-	-	-	6,941
-	-	-	10,984
-	-	-	2,915
-	-	-	20,840
-	-	-	121,657
<u>(30,798)</u>	<u>6,430</u>	<u>(31,170)</u>	<u>153,963</u>
<u>\$ (30,798)</u>	<u>\$ 6,430</u>	<u>\$ (31,170)</u>	<u>\$ 275,620</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

County and District Clerk – The County and District Clerk Fund accounts for registry funds held by the County and District Clerk.

Justice of the Peace – The Justice of the Peace Fund accounts for registry funds held by the Justice of the Peace.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

Inmate Trust – The Inmate Trust Fund accounts for monies being held for the benefit of the inmates in the County Jail.

ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2020

	<u>County and District Clerk</u>	<u>Tax Assessor Collector</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 61,772	\$ 24,850	\$ 4,345	\$ 90,967
Total assets	<u>\$ 61,772</u>	<u>\$ 24,850</u>	<u>\$ 4,345</u>	<u>\$ 90,967</u>
LIABILITIES				
Due to others	\$ -	\$ 11,874	\$ -	\$ 11,874
Due to other governments	-	12,976	-	12,976
Deposits	<u>61,772</u>	<u>-</u>	<u>4,345</u>	<u>66,117</u>
Total liabilities	<u>\$ 61,772</u>	<u>\$ 24,850</u>	<u>\$ 4,345</u>	<u>\$ 90,967</u>