

**Loving County, Texas**  
**Annual Financial Report**  
**For the Year Ended December 31, 2019**

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**For the Year Ended December 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

Painter and Associates, P.C.  
Certified Public Accountants  
836 King George Lane  
Savannah, Texas 76227-7854

**Independent Auditor's Report**

Commissioners Court  
Loving County, Texas  
Mentone, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the discreetly presented component unit of Loving County, Texas as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Loving County, Texas' basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the discreetly presented component unit of Loving County, Texas, as of December 31, 2019, and the respective changes in financial position for the year then then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension related disclosures on pages 4-6, 13-14 and 39-41, respectively, 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.

## **Painter and Associates, P.C.**

Savannah, Texas  
November 5, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the managers of Loving County, Texas discuss and analyze the County's financial performance for the fiscal year ended December 31, 2019. Please read it in conjunction with, the independent auditors' report beginning on page 1, and the County's basic financial statements which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

As a result of this year's operations the County's net position increased by \$10,670,809. The result was that net position of our governmental activities increased by 18.7%.

During the year, the County had expenses that were \$10,670,809 less than the \$23,811,840 generated by the ad valorem taxes, investment earnings, licenses and permits, charges for services as well as miscellaneous income in the governmental funds.

The County showed a gain on the financial statements and as a result the cash flow was a positive amount. Depreciation expense for the year was \$10,652,044.

The General Fund ended the year with a fund balance of \$24,845,231 compared to a balance of \$22,214,410 at the end of the prior year.

The General Fund budget for the County revealed \$2,231,904 more revenues were received during the year than were budgeted while \$1,702,119 fewer expenses were incurred than were budgeted for the year. The net effect of the budget variance was \$3,934,022, a positive budget variance.

### **USING THIS ANNUAL REPORT**

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

The governmental fund financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements, starting on page 17, provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the governmental fund financial statements.

## **Reporting the County as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the County's overall financial condition and operations begins on page 7. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position. The County's net position, the difference between assets and liabilities, provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, one should consider nonfinancial factors as well.

In the Statement of Net Position and the Statement of Activities we present the County as one kind of activity:

Governmental activities – The only funds reported by the County here are general operations of the entity.

## **Reporting the County's Most Significant Funds**

### ***Fund Financial Statements***

Laws and contracts require the County to establish some funds by State law and bond covenants. The County's administration establishes many other funds to help it control and manage money for particular purposes such as grants.

Governmental funds – Only the County's general operating funds are reported in governmental funds. These use modified accrual accounting, a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash, and report balances that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the County's activities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The County implemented GASB Statement No. 34 in a previous year. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$57,042,814 to \$67,713,623. Unrestricted net position, the portion of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$32,100,709 at December 31, 2019. This increase in unrestricted governmental net position was the result of the County's activities.

**Table I**  
**Loving County, Texas**  
**Net Position**

	Governmental Activities		Year over Year Change	
	12/31/19	12/31/18	\$	%
<b>Assets</b>				
Cash and Cash Equivalents	\$ 36,953,396	\$ 35,039,722	\$ 1,913,674	5.5%
Receivables, net	528,514	1,314,815	(786,301)	-59.8%
Prepays	71,163	23,226	47,937	206.4%
Work - in - Progress	3,000	1,603,673	(1,600,673)	-99.8%
Capital Assets, net	42,797,814	37,538,478	5,259,336	14.0%
Net Pension Asset	-	145,832	(145,832)	-100.0%
<b>Total Assets</b>	<b>80,353,888</b>	<b>75,665,746</b>	<b>4,688,142</b>	<b>6.2%</b>
<b>Deferred Outflows of Resources</b>	<b>1,215,885</b>	<b>452,272</b>	<b>763,613</b>	<b>168.8%</b>
<b>Liabilities</b>				
Accounts Payable	442,792	485,235	(42,443)	-8.7%
Current Liabilities	3,018,159	4,005,195	(987,036)	-24.6%
Long-term Liabilities	9,868,941	14,426,802	(4,557,861)	-31.6%
Net Pension Liability	423,131	-	423,131	-
OPEB Liability	75,026	78,546	(3,520)	-4.5%
<b>Total Liabilities</b>	<b>13,828,049</b>	<b>18,995,778</b>	<b>(5,167,729)</b>	<b>-27.2%</b>
<b>Deferred Inflows of Resources</b>	<b>28,101</b>	<b>79,426</b>	<b>(51,325)</b>	<b>-64.6%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	31,369,671	22,044,532	9,325,139	42.3%
Restricted	4,243,243	1,320,195	2,923,048	221.4%
Unrestricted	32,100,709	33,678,087	(1,577,378)	-4.7%
<b>Total Net Position</b>	<b>\$ 67,713,623</b>	<b>\$ 57,042,814</b>	<b>\$ 10,670,809</b>	<b>18.7%</b>

**Table II**  
**Loving County, Texas**  
**Change in Net Position**

	Governmental Activities		Year over Year Change	
	12/31/19	12/31/18	\$	%
<b>Revenues:</b>				
Ad Valorem Tax Revenues	\$ 15,191,788	\$ 10,489,158	\$ 4,702,630	44.8%
Debt Service Taxes	6,701,780	3,299,439	3,402,341	103.1%
Lawsuit Proceeds	-	3,500,006	(3,500,006)	-100.0%
Charges for Services	843,841	500,020	343,821	68.8%
Operating Grants	48,590	34,622	13,968	40.3%
Investment Earnings	887,598	603,418	284,180	47.1%
Miscellaneous	138,242	1,129,709	(991,467)	-87.8%
<b>Total Revenues</b>	<b>23,811,840</b>	<b>19,556,373</b>	<b>4,255,468</b>	<b>21.8%</b>
<b>Expenses:</b>				
Administrative	4,201,073	3,595,197	605,876	16.9%
Judicial	361,297	383,182	(21,885)	-5.7%
Law Enforcement	1,323,501	868,982	454,519	52.3%
Fire Protection	592,394	388,825	203,569	52.4%
Cultural / Recreation	89,558	60,700	28,858	47.5%
Maintenance	1,670,503	1,319,508	350,995	26.6%
Highways and Streets	4,446,537	245,704	4,200,833	1709.7%
Interest on Long-term Debt	456,169	566,894	(110,725)	-19.5%
<b>Total Expenses</b>	<b>13,141,031</b>	<b>7,428,992</b>	<b>5,712,039</b>	<b>76.9%</b>
Increase (Decrease) in Net Position	10,670,809	12,127,381	(1,456,573)	-12.0%
Net Position - Beginning of Year	57,042,814	44,915,434	12,127,380	27.0%
<b>Net Position - End of Year</b>	<b>\$ 67,713,623</b>	<b>\$ 57,042,815</b>	<b>\$ 10,670,808</b>	<b>18.7%</b>

## THE COUNTY'S FUNDS

Over the course of the year, the Commissioners Court revised the County's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances versus the amounts we estimated in August 2018. The second category involved amendments moving funds from accounts that did not need all the resources originally appropriated to them to programs with resource needs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2019, the County had over \$56.4 million invested in land, buildings, county roads, water wells, machinery and equipment, and office furniture and fixtures.

**Table III**  
**Loving County, Texas**  
**Capital Assets**

	Governmental Activities		Year over Year Change	
	12/31/19	12/31/18	\$	%
<b>Assets:</b>				
Land	\$ 304,968	\$ 5,000	\$ 299,968	5999.4%
Building and Improvements	7,224,918	6,836,711	388,207	5.7%
Machinery and Equipment	5,546,177	4,000,670	1,545,507	38.6%
County Roads	39,736,148	36,160,820	3,575,328	9.9%
Water Wells	3,594,747	1,187,320	2,407,427	0.0%
Work in Progress	3,000	1,603,673	(1,600,673)	-99.8%
Total Assets	<u>56,409,959</u>	<u>49,794,195</u>	<u>6,615,763</u>	<u>13.3%</u>
<b>Accumulated Depreciation:</b>				
Accumulated Depreciation	(13,609,145)	(10,652,044)	(2,957,101)	27.8%
Total Accumulated Depreciation	<u>(13,609,145)</u>	<u>(10,652,044)</u>	<u>(2,957,101)</u>	<u>27.8%</u>
Capital Assets, net	<u>\$ 42,800,814</u>	<u>\$ 39,142,151</u>	<u>\$ 3,658,663</u>	<u>9.3%</u>

### Debt

At the end of the year the County had \$11,431,143 of outstanding debt. The debt was from the County's sale of \$16,205,000 of unlimited tax road bonds and \$3,425,000 of limited tax notes to finance a desalination plant. The unlimited bond was issued with a variable interest rate of between 2.0% and 3.25% while the limited bond was issued with a variable interest rate between 2.0% and 3.0%.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor's office, at the Loving County Courthouse, P.O. Box 375, Mentone, Texas 79754.

## **BASIC FINANCIAL STATEMENTS**

**LOVING COUNTY, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Loving County Appraisal District</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 32,710,154	\$ 736,462
Restricted Cash	4,243,243	-
	<u>36,953,396</u>	<u>736,462</u>
Receivables, net	528,514	-
Prepays	71,163	-
Work-in-Progress	3,000	-
Capital Assets, net	42,797,814	17,676
Net Pension Asset	-	106,866
	<u>80,353,888</u>	<u>861,005</u>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows - Pensions	1,212,665	104,764
Deferred Outflows - OPEB	3,220	1,237
	<u>1,215,885</u>	<u>106,001</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	442,792	6,186
Notes Payable - Due Within One Year	1,575,000	-
	<u>2,017,792</u>	<u>6,186</u>
<b>Noncurrent Liabilities</b>		
Notes Payable - Due in More Than One Year	9,720,000	-
Amortizable Bond Premiums	136,143	-
Compensated Absences	12,798	4,065
Net Pension Liability	423,131	-
OPEB Liability	75,026	14,843
	<u>10,367,098</u>	<u>18,908</u>
	<u>12,384,890</u>	<u>25,094</u>
<b>Deferred Inflows of Resources</b>		
Deferred Revenue	1,443,159	-
Deferred Inflow - Pensions	21,095	-
Deferred Inflow - OPEB	7,006	1,149
	<u>1,471,260</u>	<u>1,149</u>
<b>Net Position</b>		
Net Investment in Capital Assets	31,369,671	17,676
Restricted	4,243,243	-
Unrestricted	32,100,709	923,087
	<u>\$ 67,713,623</u>	<u>\$ 940,763</u>
<b>Total Net Position</b>	<u>\$ 67,713,623</u>	<u>\$ 940,763</u>

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

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

Functions / Programs	Program Revenues				Change in	Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Position	Unit
<b>Primary Government</b>					Governmental Activities	Loving County Appraisal District
<i>Governmental Activities:</i>						
Administrative	\$ 4,201,073	\$ 329,089	\$ 48,590	\$ -	\$ (3,823,393)	\$ -
Judicial	361,297	464,253	-	-	102,956	-
Law Enforcement	1,323,501	13,709	-	-	(1,309,792)	-
Emergency Services	592,394	-	-	-	(592,394)	-
Cultural / Recreation	89,558	-	-	-	(89,558)	-
Maintenance	1,670,503	-	-	-	(1,670,503)	-
Highways and Streets	4,446,537	36,789	-	-	(4,409,748)	-
Interest on Long-term Debt	456,169	-	-	-	(456,169)	-
<b>Total Primary Government</b>	<b>\$ 13,141,031</b>	<b>\$ 843,841</b>	<b>\$ 48,590</b>	<b>\$ -</b>	<b>(12,248,600)</b>	<b>-</b>
<b>Component Unit</b>						
Appraisal Services	\$ 365,289	\$ 626,808	\$ -	\$ -		261,519
Contratual Services	121,662	-	-	-		(121,662)
Appraisal Review Board	4,280	-	-	-		(4,280)
<b>Total Component Unit</b>	<b>\$ 491,231</b>	<b>\$ 626,808</b>	<b>\$ -</b>	<b>\$ -</b>		<b>135,577</b>
<b>General Revenues:</b>						
Ad Valorem Taxes					15,191,788	-
Debt Service Taxes					6,701,780	-
Investment Earnings					887,598	13,096
Miscellaneous Revenues					138,242	688
<b>Total General Revenues</b>					<b>22,919,409</b>	<b>13,784</b>
Change in Net Position					10,670,809	149,361
Beginning Net Position					57,042,814	791,402
Ending Net Position					<b>\$ 67,713,623</b>	<b>\$ 940,763</b>

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

**LOVING COUNTY, TEXAS  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2019**

	General Fund	Road & Bridge Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 24,536,277	\$ 6,745,052	\$ -	\$ 1,428,825	\$ 32,710,154
Restricted Cash	-	-	1,479,889	2,763,354	4,243,243
	<u>24,536,277</u>	<u>6,745,052</u>	<u>1,479,889</u>	<u>4,192,179</u>	<u>36,953,396</u>
Receivables, net	358,458	25,053	145,003	-	528,514
Prepays	71,163	-	-	-	71,163
<b>Total Assets</b>	<u>\$ 24,965,898</u>	<u>\$ 6,770,105</u>	<u>\$ 1,624,892</u>	<u>\$ 4,192,179</u>	<u>\$ 37,553,073</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 120,667	\$ 267,497	\$ 1,000	\$ 53,628	\$ 442,792
Deferred Revenues	-	-	-	1,443,159	1,443,159
<b>Total Liabilities</b>	<u>120,667</u>	<u>267,497</u>	<u>1,000</u>	<u>1,496,787</u>	<u>1,885,951</u>
<b>Fund Balance</b>					
Restricted Fund Balance	-	6,502,608	1,623,892	1,320,195	9,446,695
Assigned Fund Balance	-	-	-	1,117,280	1,117,280
Unassigned Fund Balance	24,845,231	-	-	257,917	25,103,148
<b>Total Fund Balance</b>	<u>24,845,231</u>	<u>6,502,608</u>	<u>1,623,892</u>	<u>2,695,391</u>	<u>35,667,123</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 24,965,898</u>	<u>\$ 6,770,105</u>	<u>\$ 1,624,892</u>	<u>\$ 4,192,179</u>	<u>\$ 37,553,073</u>

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

**LOVING COUNTY, TEXAS  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 35,667,123</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,800,814
Pension and OPEB deferred outflows and Inflows of resources, net.	1,187,784
The net pension liability is not a financial resource and, therefore, is not reported in the fund financial statements.	(423,131)
The other post-employment benefit is not a financial resource and, therefore, is not reported in the fund financial statements.	(75,026)
Other long-term assets are not available to pay for current-period	(11,443,941)
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 67,713,623</u></b>

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

**LOVING COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Road & Bridge Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 9,449,351	\$ 5,742,437	\$ -	\$ -	\$ 15,191,788
Debt Service Taxes	-	-	6,701,780	-	6,701,780
Investment Earnings	570,746	251,479	32,024	33,348	887,598
Charges for Services	704,232	36,081	-	103,528	843,841
Operating Grant Revenues	48,590	-	-	-	48,590
Miscellaneous Revenues	55,480	17,450	-	65,312	138,242
<b>TOTAL REVENUES</b>	<b>10,828,400</b>	<b>6,047,447</b>	<b>6,733,805</b>	<b>202,188</b>	<b>23,811,840</b>
<b>EXPENDITURES</b>					
County Judge	149,785	-	-	-	149,785
County and District Clerk	342,718	-	-	-	342,718
County Treasurer	189,322	-	-	-	189,322
County Auditor	102,273	-	-	-	102,273
Sheriff / T.A.C.	1,180,198	-	-	-	1,180,198
County and District Courts	3,560	-	-	-	3,560
County Attorney	146,649	-	-	-	146,649
County Maintenance	129,637	-	-	-	129,637
Extension Service	32,413	-	-	-	32,413
Emergency Services	466,802	-	-	-	466,802
Constable	139,994	-	-	-	139,994
Justice Courts	347,749	-	-	-	347,749
Principal	-	-	5,645,000	-	5,645,000
Interest	-	-	456,169	-	456,169
Non-Departmental	3,281,077	7,683,125	5,380	1,734,090	12,703,672
<b>TOTAL EXPENDITURES</b>	<b>6,512,177</b>	<b>7,683,125</b>	<b>6,106,549</b>	<b>1,734,090</b>	<b>22,035,940</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,316,223	(1,635,678)	627,256	(1,531,902)	1,775,899
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(1,685,401)	3,340	-	1,682,061	-
Net Change in Fund Balances	2,630,822	(1,632,338)	627,256	150,160	1,775,899
Beginning Fund Balance	22,214,410	8,134,946	996,636	2,545,232	33,891,224
Ending Fund Balance	<b>\$ 24,845,231</b>	<b>\$ 6,502,608</b>	<b>\$ 1,623,892</b>	<b>\$ 2,695,391</b>	<b>\$ 35,667,123</b>

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

**LOVING COUNTY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT**  
**OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,775,899</b>
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(3,216,342)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and a reduction of long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net assets.	12,260,763
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting.	(149,512)
<b>Change in Net Position - Governmental Activities</b>	<b><u>\$ 10,670,809</u></b>

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

**LOVING COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 7,723,458	\$ 7,723,458	\$ 9,449,351	\$ 1,725,893
Investment Earnings	244,000	244,000	570,746	326,746
Charges for Services	536,205	536,205	704,232	168,027
Operating Grant Revenues	48,533	48,533	48,590	57
Miscellaneous Revenues	44,300	44,300	55,480	11,180
<b>TOTAL REVENUES</b>	<b>8,596,496</b>	<b>8,596,496</b>	<b>10,828,400</b>	<b>2,231,904</b>
<b>EXPENDITURES</b>				
County Judge	153,302	154,802	149,785	5,017
County and District Clerk	365,378	365,378	342,718	22,660
County Treasurer	114,363	203,639	189,322	14,317
County Auditor	110,333	108,333	102,273	6,060
Sheriff / T.A.C.	1,276,554	1,301,554	1,180,198	121,356
County and District Courts	7,341	7,341	3,560	3,781
County Attorney	151,238	151,238	146,649	4,589
County Maintenance	167,000	167,000	129,637	37,363
Extension Service	46,238	46,238	32,413	13,825
Emergency Services	1,500,000	1,500,000	466,802	1,033,198
Constable	146,928	147,928	139,994	7,934
Justice Courts	307,958	352,158	347,749	4,409
Non-Departmental	3,184,387	3,708,687	3,281,077	427,610
<b>TOTAL EXPENDITURES</b>	<b>7,531,020</b>	<b>8,214,296</b>	<b>6,512,177</b>	<b>1,702,119</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,065,477	382,201	4,316,223	3,934,022
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(912,700)	(1,356,700)	(1,685,401)	328,701
Total Other Financing Sources (Uses)	(912,700)	(1,356,700)	(1,685,401)	328,701
Change in Fund Balance	\$ 152,777	\$ (974,499)	2,630,822	\$ 4,262,723
Beginning Fund Balance			22,214,410	
Ending Fund Balance			\$ 24,845,231	

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

**LOVING COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL - ROAD & BRIDGE SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 4,802,995	\$ 4,802,995	\$ 5,742,437	\$ 939,442
Investment Earnings	-	-	251,479	251,479
Charges for Services	13,000	13,000	36,081	23,081
Miscellaneous Revenues	3,535,000	3,535,000	17,450	(3,517,550)
<b>TOTAL REVENUES</b>	<b>8,350,995</b>	<b>8,350,995</b>	<b>6,047,447</b>	<b>(2,303,548)</b>
<b>EXPENDITURES</b>				
Non-Departmental	8,257,417	8,257,417	7,683,125	574,292
<b>TOTAL EXPENDITURES</b>	<b>8,257,417</b>	<b>8,257,417</b>	<b>7,683,125</b>	<b>574,292</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,578	93,578	(1,635,678)	(1,729,256)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	3,340	(3,340)
Total Other Financing Sources (Uses)	-	-	3,340	(3,340)
Change in Fund Balance	<b>\$ 93,578</b>	<b>\$ 93,578</b>	<b>(1,632,338)</b>	<b>\$ (1,732,596)</b>
Beginning Fund Balance			8,134,946	
Ending Fund Balance			<b>\$ 6,502,608</b>	

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

**LOVING COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2019**

	District Clerk Agency Funds	Total Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,005,228	\$ 2,005,228
<b>Total Assets</b>	<b>\$ 2,005,228</b>	<b>\$ 2,005,228</b>
<b>Liabilities</b>		
Accounts Payable	-	-
<b>Total Liabilities</b>	-	-
<b>Net Position</b>		
Restricted for Individuals, Organizations and Other Governments	2,005,228	2,005,228
<b>Total Net Position</b>	<b>2,005,228</b>	<b>2,005,228</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,005,228</b>	<b>\$ 2,005,228</b>

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

**LOVING COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	District Clerk Agency Funds	Total Agency Funds
<b>Additions</b>		
Contributions	\$ 1,741,191	\$ 1,741,191
Royalty Earnings	15,164	15,164
Investment Earnings	36,216	36,216
<b>Total Additions</b>	<b>1,792,571</b>	<b>1,792,571</b>
<b>Deductions</b>		
Payments to Individuals, Organizations and Other Governments	9,770	9,770
<b>Total Deductions</b>	<b>9,770</b>	<b>9,770</b>
Net Increase (Decrease) in Fiduciary Net Position	1,782,801	1,782,801
Beginning Net Position	222,427	222,427
<b>Ending Net Position</b>	<b>\$ 2,005,228</b>	<b>\$ 2,005,228</b>

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

# LOVING COUNTY, TEXAS

## NOTES TO THE FINANACIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General Statement

Loving County was formed July 8, 1893 with Mentone designated as the county seat. The Texas Legislature subsequently disorganized the County, which was then reorganized on May 14, 1931. The County has a Commissioner/County Judge, form of government. A four-member elected Loving County Commissioners Court and an elected County Judge, comprise the governing body. All funds and entities related to Loving County that is controlled by the County Judge and Commissioners Court are included in this report. This control is determined on the basis of budget adoption, taxing authority, and the ability to issue outstanding debt secured by the revenues of which is a general obligation of the County.

Loving County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary type funds apply Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions based on or after November 30, 1989. For the fiscal year ended December 31, 2004, the County implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format was implemented.

In 2004, the County implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements - and Management Discussion and Analysis – for State and Local Governments; Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, county-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required financial statements and notes.

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards*

*Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.*

## **B. Financial Reporting Entity**

The County's basic financial statements include the accounts of all the County's operations. The County is a separate legal entity and not a component unit of any other entity. Specific elements of oversight and component unit responsibilities considered in the conclusion of the above were financial interdependency, designation of management, election of the governing body, the ability to significantly influence operations and accountability of fiscal matters.

### **Blended Component Units**

Blended component units are separate legal entities whose governing body is the same or substantially the same as the County or the component unit provides services entirely to the County. These component unit's funds are blended into those of the County's by appropriate activity type to compose the primary government.

Loving County Appraisal District - The Loving County Appraisal District ("District") is considered a blended component unit since the District has the same governing body and the District provides services to the County.

## **C. Basis of Presentation**

### **Government-wide Financial Statements**

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, display information for the reporting entity as a whole. They include all funds of the reporting entity.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include:

1. charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program, and;
2. operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds appear as transfer to / transfer from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds

are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to / due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds as 'major' and reports their financial condition and results of operations in a separate column.

## **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total of all funds of that category or type; and
- b. Total assets, liabilities, revenues, expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund*

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

#### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

#### *Fiduciary Funds*

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The generally

accepted accounting principles applicable to fiduciary funds are the accrual basis of accounting and the measurement focus is the economic resources method.

#### **D. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus as defined below. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. The funds use fund balance as their measure of available spendable financial resources at the end of the period.

#### **Basis of Accounting**

In the Statement of Net Position and the Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The County considers all revenues available if they are collectible within 60 days after year-end.

The discretely presented component unit uses the economic resources measurement focus and the accrual basis of accounting.

## **Budgetary Control**

In accordance with state law, during August, the County Judge must submit to the Commissioner's Court a budget to cover all proposed expenditures of the County for the succeeding year. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with the original and revised estimates for the current year and the actual data for the preceding year.

The Commissioner's Court shall hold a public hearing on the proposed budget. The hearing date shall be set after the 15<sup>th</sup> day of the month next following the month in which the budget was prepared, but before the date on which taxes are levied by the Court.

On final approval of the budget by the Commissioner's Court, the Court shall file the budget with the County Clerk. Formal budgetary integration is employed as a management control device during the year for all fund types. The budgets differ from generally accepted accounting principles in that appropriation lapse at year-end. No encumbrances are recorded.

Budgeted amounts are as originally adopted or as amended by the Commissioner's Court. Individual amendments were not material in relation to the original appropriations, which were restated.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund presents a comparison of budgetary data to actual results. The Road and Bridge Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

### **E. Assets, Liabilities, and Net Position / Fund Balance**

#### **Cash and investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the County. Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

The County has elected to invest its funds in investment pools (TexPool). Investments in the pools are reported as cash investments. The State Comptroller oversees TexPool, an AAA rated pool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the Comptroller. These pools are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability

to deposit or withdraw funds on a daily basis. Interest is accrued daily and paid monthly. The reported value of the pools is the same as fair value of the pool shares.

As of December 31, 2019, the County had \$24,149,962 in pooled investments.

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowance for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes, franchise taxes, grants and fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

### **Prepaid Items**

Prepaid balances are for payments made by the County in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations. All assets of the County are currently reported in a governmental fund on the government-wide financial statements.

### **Government-wide statements**

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to December 31, 2004.

Prior to July 1, 2004, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 2004) have been valued at estimated historical value.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in, Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of

Estimated useful life by type of asset is as follows:

Buildings	25-50 years
County Roads	15-20 years
Machinery & Equipment	3-20 years
Utility Systems	25-50 years
Infrastructure	25-50 years

### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition.

### **Compensated Absences**

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable financial resources.

### **Equity Classifications**

#### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. *Restricted net position* – Consists of net assets with constraints placed on their use either by:

1. external groups such as creditors, grantors, contributors or laws or regulations of other governments; or

2. law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* – Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### *Fund Statements*

The County has adopted the fund balance classifications prescribed by *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are classified as non-spendable, restricted, committed, assigned and unassigned based on the circumstances that apply.

*Fund Balance* – The County reports the following fund balance categories which describe the relative strength of the spending constraints:

- a) *Non-spendable fund balance* - classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b) *Restricted fund balance* - classification includes funds with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b. Imposed by law through constitutional provisions or enabling legislation.
- c) *Committed fund balances* - include amounts that can only be used for specific purposes pursuant to constraints imposed by court resolution/formal action of the commissioners’ court which is the government’s highest level of decision-making authority.
- d) *Assigned fund balances* - include amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the commissioners’ court action or (b) by a county judge who is the official delegated by the commissioners’ court with the authority to assign amounts to be used for specific purposes.
- e) *Unassigned fund balance* - the residual classification for the general fund. 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.

### *Fund Balance Policies and Procedures*

- a) *Minimum Fund Balance Policies* – The County has not formally adopted a minimum fund balance policy; however, in practice deficit special revenue funds are classified as unassigned since the deficits are typically paid through pooled cash overdraft.

- b) *Encumbrances* – The County does not encumber or reserve an appropriation for future expenditures. Appropriations lapse at fiscal year end and must be appropriated in the next fiscal year budget.
- c) *Order of Expenditure* – When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioner’s Court has provided otherwise in its budget or its commitment or assignment actions.

## **Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

#### **Property Tax**

Property tax is levied each October 1<sup>st</sup> on the assessed (appraisal) value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the County. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Commissioner’s Court. Appraisal values are established by the Appraisal Board of Review at 100% of estimated fair market value.

Taxes are due on October 1<sup>st</sup>, the levy date, and are delinquent after the following January 31<sup>st</sup>. Tax liens are automatic on February 1<sup>st</sup> of each year. The tax lien is part of a law suit for property that can be filed any time after taxes become delinquent (February 1<sup>st</sup>). The County usually waits until after July 1<sup>st</sup> to file suits on real estate property. As of July 1<sup>st</sup>, 15% collection costs may be added to all delinquent accounts.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Taxes collected for the levy date, October 1<sup>st</sup>, through December 31<sup>st</sup> are not recognized as revenue until January 1<sup>st</sup> of the following year. From January 1<sup>st</sup> on revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with *Generally Accepted Accounting Principles* have been recognized as revenues.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the County on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the County must be reviewed at least every three years;

however, the County may, at its own expense, require annual reviews of appraisal values. The County may challenge appraised values established by the Appraisal District through various appeals, and, if necessary, legal action. Under this legislation the County continues to set tax rates on County property. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

### **Delinquent Taxes Receivable**

Delinquent taxes are prorated between the general fund, road & bridge, farm to market lateral road funds, and sinking fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General, Road & Bridge and Farm to Market Lateral Road Funds and are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

### **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

### **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for the governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources.

### **Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances, all interfund transfers between individual governmental funds have been eliminated.

## **2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

### **A. Deposits and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The

pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2019, the carrying amount of the County's deposits (cash and temporary investments) was:

	Amount	Maturity	Quality Rating
Texpool	\$ 24,149,962	< 60 days - Weighted Average	AAAm
Cash in Bank	13,608,178		
Total Cash in Bank	<u>37,758,140</u>		
FDIC Insured Amount	<u>250,000</u>		
Collateralized with Letters of Credit	<u>\$ 13,358,178</u>		

The County has a financial arrangement with its depository bank and TexPool whereby TexPool transfers funds to the bank to cover any shortfalls in the operating account.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

#### Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. That policy does address the following risks:

a. **Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that eligible securities for collateralization are those securities defined as eligible securities by the Public Funds Collateral Act. The County requires monthly reports with market value of pledged securities and requires the

investment officer to monitor adequacy of collateralization levels to verify market values and total collateral positions. The County was not exposed to any custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County is collateralized with securities that are pledged to the County but are not owned by the County.

c. Interest-rate Risk - Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The County does not purchase or sell debt securities and invests only with the designated bank depository and as such does not have a policy that addresses this issue.

d. Other Credit Risk Exposure - The County does not have a policy regarding investment in debt securities held either directly or indirectly because the County does not invest in this type security, securities of the U.S. government or of agencies guaranteed by the U.S. government. The County does invest in a public funds investment pool as permitted by Government code 2256.016.

e. Concentration Risk - The County invests only in securities back by the U.S. Government and thus does not have a policy regarding a concentration of credit risk.

At year end the County was not exposed to interest rate risk, or the risk that interest rate changes would adversely affect the fair value of an investment.

### **3. Accounts Receivable**

Accounts receivable consisted of net taxes receivable and water sales receivable. The receivable totaled \$528,514.

#### 4. Capital Assets

Capital assets for the year ended December 31, 2019 were as follows:

	Balance 12/31/18	Additions	Disposals / Reclass	Balance 12/31/19
<b>Assets:</b>				
Land	\$ 5,000	\$ 299,968	\$ -	\$ 304,968
Building and Improvements	6,836,711	388,207	-	7,224,918
Machinery and Equipment	4,000,670	1,804,748	(259,241)	5,546,177
County Roads	36,160,820	3,575,328	-	39,736,148
Water Wells	1,187,320	2,407,427	-	3,594,747
Work in Progress	1,603,673	-	(1,600,673)	3,000
Total Assets	<u>49,794,195</u>	<u>8,475,678</u>	<u>(1,859,914)</u>	<u>56,409,959</u>
<b>Accumulated Depreciation:</b>				
Accumulated Depreciation	(10,652,044)	(3,210,286)	253,185	(13,609,145)
Total Expenses	<u>(10,652,044)</u>	<u>(3,210,286)</u>	<u>253,185</u>	<u>(13,609,145)</u>
Capital Assets, net	<u>\$ 39,142,151</u>	<u>\$ 5,265,392</u>	<u>\$ (1,606,729)</u>	<u>\$ 42,800,814</u>

Depreciation expense for the year was \$3,210,286.

#### 5. Compensated Absences

The County's vacation policy provides for certain accumulation which upon termination must be paid to the employee. Other absences are not subject to payment upon termination. Compensated absences at year end totaled \$12,798.

#### 6. Long-Term Debt

The County issued \$16,205,000 of bonds titled *\$16,205,000 Unlimited Tax Road Bonds, Series 2013* for the purpose of road improvements. The bond issue with a variable interest rate between 2.0% and 3.25% calls for semi-annual payments and matures September 30, 2028.

**\$16,205,000 Unlimited Tax Road Bonds, Series 2013  
2.0% - 3.25% Interest rate maturing 2/15/28**

YEAR	PRINCIPAL	INTEREST	TOTAL
2020	\$ 1,045,000	\$ 335,405	\$ 1,380,406
2021	1,075,000	303,606	1,378,606
2022	1,110,000	270,831	1,380,831
2023	1,155,000	225,306	1,380,306
2024	1,200,000	178,431	1,378,431
2025	1,235,000	141,906	1,376,906
2026	1,275,000	104,256	1,379,256
2027	1,315,000	64,584	1,379,584
2028	1,355,000	22,019	1,377,019
<b>TOTAL</b>	<b>\$10,765,000</b>	<b>\$1,646,344</b>	<b>\$12,411,345</b>

The County issued \$3,425,000 of tax notes titled \$3,425,000 *Limited Tax Notes, Series 2013* to finance a desalination plant. The bond issue with a variable interest rate between 2.0% and 3.0% calls for semi-annual payments and matures September 30, 2020.

**\$3,425,000 Limited Tax Notes, Series 2013 for \$3,425,000  
2.0% - 3.0% Interest rate maturing 2/15/20**

YEAR	PRINCIPAL	INTEREST	TOTAL
2020	\$ 530,000	\$ 7,950	\$ 537,950
<b>TOTAL</b>	<b>\$530,000</b>	<b>\$ 7,950</b>	<b>\$537,950</b>

**Total payments of all notes until maturity is as follows:**

YEAR	PRINCIPAL	INTEREST	TOTAL
2020	\$ 1,575,000	\$ 343,355	\$ 1,918,355
2021	1,075,000	303,606	1,378,606
2022	1,110,000	270,831	1,380,831
2023	1,155,000	225,306	1,380,306
2024	1,200,000	178,431	1,378,431
2025	1,235,000	141,906	1,376,906
2026	1,275,000	104,256	1,379,256
2027	1,315,000	64,584	1,379,584
2028	1,355,000	22,019	1,377,019
<b>TOTAL</b>	<b>\$11,295,000</b>	<b>\$ 1,654,294</b>	<b>\$ 12,949,294</b>

**7. Amortizable Bonds Premiums**

The County sold both bonds issued at a premium. The \$16,205,000 *Unlimited Tax Road Bonds, Series 2013* was issued at a premium of \$215,000 while the \$3,425,000 *Limited Tax Notes, Series 2013* issued at premium of \$50,000. Both premiums are amortized over the life of the bond issue as a reduction in interest expense.

**8. Employee Retirement Plan**

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public

employee retirement system consisting of 738 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.

### Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Loving County can retire at age 60 and above with eight 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 eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

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 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. There are no automatic post-employment benefit changes; including automatic COLA's. Ad hoc post-employment benefit changes, including ad hoc COLA's, can be granted by the County Commissioners within certain guidelines.

### Contributions

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

The rate the County contributed for the months of the accounting year in 2018 and 2017 were 10.2% and 11.0% respectively. The deposit rate payable by the employee members for the calendar year 2018 and 2017 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended December 31, 2019 were \$726,773.

### Actuarial Assumptions

The total pension liability at December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.2 Years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return	8.0%
Salary increases	4.9%

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012. The mortality assumptions were updated in 2018, all other assumptions and methods are the same as used in the prior valuation.

### Discount Rate

The discount rate used to measure the total pension asset was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our 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 TCRDS 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 cost-of-living adjustment 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 year, the discount rate for purposes of calculating the total pension liability and net pension liability 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. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by .10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 7-10-year time horizon.

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 to December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Geometric Real Rate of Return **</b>
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	<u>100.00%</u>	

\* Target asset allocation adopted at the April 2019 TCDRS Board Meeting

\*\* Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the County reported a net pension liability of \$423,131 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2018. For the year ended December 31, 2019, the County recognized pension expense of \$361,804. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension liability for the measurement year ended December 31, 2018 are as follows:

<b>Changes in the Net Pension Liability / (Asset)</b>			
	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2017	\$ 4,706,532	\$ 4,852,363	\$ (145,832)
Changes for this year:			
Service Cost	210,032	-	210,032
Interest on Total Pension Liability *	383,839	-	383,839
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	146,660	-	146,660
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(18,510)	(18,510)	-
Benefit Payments	(344,169)	(344,169)	-
Administrative Expenses		(3,744)	3,744
Member Contributions		104,576	(104,576)
Net Investment Income		(91,444)	91,444
Employer Contributions		164,483	(164,483)
Other	-	(2,302)	2,302
Balances as of December 31, 2018	\$ 5,084,383	\$ 4,661,252	\$ 423,131

\* Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.

\*\* Relates to allocation of system-wide items

**Discount Rate Sensitivity Analysis**

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension 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	\$ 5,599,116	5,084,383	4,639,800
Fiduciary Net Pension	4,661,252	4,661,252	4,661,252
Net Pension Liability / (Asset)	\$ 937,864	\$ 423,131	\$ (21,452)

At December 31, 2018 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 21,095	\$ 151,636
Changes of Assumptions	-	33,379
Net Difference Between Projected and Actual Earnings	-	300,877
Contributions Made Subsequent to Measurement Date	n/a	726,773
	<u>\$ 21,095</u>	<u>\$ 1,212,665</u>

\$726,773 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$ 208,458
2020	85,830
2021	74,405
2022	96,104
2023	-
thereafter	-

### 9. Supplemental Death Benefits Fund

The County also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TCDRS known as the Supplemental Death Benefits Fund (SDB). The SDB plan includes coverage for both active and retiree members and assets are comingled for the payment of such benefits. The SDB plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75. The County elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The County may terminate coverage under and discontinue participation in the SDB by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$5,000; this coverage is an "other postemployment benefit," or OPEB. The County offered supplemental death benefits to active employees and retirees during plan years 2017, 2018 and 2019.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the SDB:

<u>Members</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Number of Active Employees Entitled to but Not Yet Receiving Benefits *	4	4
Number of Active Employees	23	23
Average Age of Active Employees	49.71	51.05
Average Length of Service in Years for Active Employees	8.41	8.76
 <u>Inactive Employees Receiving Benefits *</u>		
Number of Benefit Recipients	18	16

\* "Receiving Benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

OPEB Liability

The County's total OPEB liability of \$75,026 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2017	\$ 78,546
Changes for this year:	
Service Cost	2,286
Interest on Total OPEB Liability *	2,704
Changes of Benefit Terms **	-
Effect of Economic/Demographic Experience	2,238
Effect of Assumptions Changes or Inputs ***	(6,266)
Benefit Payments	(4,482)
Other	-
Balances as of December 31, 2018	<u>\$ 75,026</u>

\* Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.

\*\* No plan changes valued

\*\*\* Reflects changes in discount rate and the new assumptions adopted based on the January 1, 2013 - December 31, 2016 Investigation of Experience.

Sensitivity of the OPEB Liability to changes in the discount rate

The following presents the OPEB liability of the County, calculated using the discount rate of 3.44%, as well as what the County's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current rate:

	1% Decrease 3.10%	Current Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	\$ 84,875	\$ 75,026	\$ 66,992

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the County recognized OPEB expense (benefit) of \$3,728.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,307	\$ 1,678
Changes of Assumptions	4,699	1,542
Contributions Made Subsequent to Measurement Date	n/a	-
	<u>\$ 7,006</u>	<u>\$ 3,220</u>

The deferred outflows balance includes contributions subsequent to the measurement date of \$0. This amount will be recognized as a reduction of the OPEB liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2019	\$ (1,262)
2020	(1,262)
2021	(1,262)
2022	-
2023	-
thereafter	-
	<u>\$ (3,785)</u>

## **10. Commitments and Contingent Liabilities**

The County participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

## **11. Risk Pool**

The County became a participant in an intergovernmental risk pool on October 1, 1996, for its worker's compensation and property insurance. Participants in this pool are required to pay "premiums" on the insurance selected. The County selected property and worker's compensation insurance. Should a loss occur, the County is liable only for the deductible portion of the policy. The risk pool purchases reinsurance to cover future losses. The County is not liable for future claims and, therefore, no liability has been accrued at December 31, 2019.

## **12. Litigation**

In the normal course of providing services to the public the County from time to time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. No liabilities have been accrued in the financial statements relative to litigation in process for the year ended December 31, 2019.

## **13. Subsequent Events**

In preparing the financial statements the County has evaluated events and transactions for potential recognition or disclosure through November 5, 2020, the date the financial statements were issued. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date that would require adjustment to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LOVING COUNTY, TEXAS**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended December 31,**

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 210,032	\$ 219,235	\$ 200,220	\$ 163,634	\$ 145,315
Interest on Total Pension Liability	383,839	366,600	363,532	373,171	348,854
Effect of Plan Changes	-	-	(839,440)	(36,386)	-
Effect of Assumption Changes or Inputs	-	66,758	-	78,973	-
Effect of Economic/Demographic (gains) or losses	146,660	(42,190)	166,566	65,640	85,739
Benefit Payments/Refunds of Contributions	(362,679)	(413,082)	(359,208)	(340,245)	(280,045)
Net Change in Total Pension Liability	<u>377,852</u>	<u>197,320</u>	<u>(468,330)</u>	<u>304,787</u>	<u>299,863</u>
Total Pension Liability, Beginning	<u>4,706,532</u>	<u>4,509,211</u>	<u>4,977,542</u>	<u>4,672,754</u>	<u>4,372,892</u>
Total Pension Liability, Ending (a)	<u>\$ 5,084,383</u>	<u>\$ 4,706,532</u>	<u>\$ 4,509,211</u>	<u>\$ 4,977,542</u>	<u>\$ 4,672,755</u>
<b>Fiduciary Net Position</b>					
Employer Contributions	164,483	126,737	112,034	90,045	82,414
Member Contributions	104,576	87,233	84,966	64,981	58,509
Investment Income net of Investment Expenses	(91,444)	641,382	310,411	(50,884)	287,309
Benefit Payments/Refunds of Contributions	(362,679)	(413,082)	(359,208)	(340,245)	(280,045)
Administrative Expenses	(3,744)	(3,227)	(3,371)	(3,087)	(3,325)
Other	(2,302)	(2,699)	62,137	45,318	14,308
Net Change in Fiduciary Net Position	<u>(191,111)</u>	<u>436,344</u>	<u>206,967</u>	<u>(193,872)</u>	<u>159,169</u>
Fiduciary Net Position, Beginning	<u>4,852,363</u>	<u>4,416,019</u>	<u>4,209,048</u>	<u>4,402,920</u>	<u>4,243,751</u>
Fiduciary Net Position, Ending (b)	<u>\$ 4,661,252</u>	<u>\$ 4,852,363</u>	<u>\$ 4,416,019</u>	<u>\$ 4,209,048</u>	<u>\$ 4,402,920</u>
Net Pension Liability / (asset), ending = (a) - (b)	<u>\$ 423,131</u>	<u>\$ (145,832)</u>	<u>\$ 93,192</u>	<u>\$ 768,494</u>	<u>\$ 269,835</u>
Fiduciary Net Position as a % of Total Pension Liability	91.68%	103.10%	97.93%	84.56%	94.23%
Pensionable Covered Payroll	\$ 1,493,937	\$ 1,246,186	\$ 1,213,805	\$ 928,299	\$ 835,843
Net Pension Liability as a % of Covered Payroll	28.32%	-11.70%	7.68%	82.79%	32.28%

**LOVING COUNTY, TEXAS**  
**Schedule of Employer Contributions**  
**For the Year Ended December 31,**

<b>Year Ending December 31</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2009	\$ 141,022	\$ 341,022	\$ (200,000)	\$ 675,391	50.5%
2010	102,436	352,436	(250,000)	687,488	51.3%
2011	121,805	371,805	(250,000)	692,860	53.7%
2012	98,429	98,429	-	694,138	14.2%
2013	81,504	81,504	-	762,443	10.7%
2014	82,414	82,414	-	835,843	9.9%
2015	90,045	90,045	-	928,299	9.7%
2016	112,034	112,034	-	1,213,805	9.2%
2017	126,737	126,737	-	1,246,186	10.2%
2018	164,483	164,483	-	1,493,937	11.0%

**Notes to Schedule of Employer Contributions**

<b>Valuation Date:</b>	December 31, 2018
<b>Notes</b>	Actuarially determined contribution rates are calculated each December 31 two years prior to the end of the fiscal year in which contributions are reported.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Ammortization Period	19.2 years (based on contribution calculated in 12/31/18 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service, 4.9% over career including inflation
Investment Rate of Return	8.00%, net of administrative and 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 Health Annuity Mortality Table for males and 110% of the RP-2014 Health Annuity 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: Employer contributions reflect that an 80% CPI COLA were reflected 2016: No changes in plan provisions were reflected 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule

**LOVING COUNTY, TEXAS**  
**Schedule of Changes in Total Other Postemployment Benefit Liability (OPEB)**  
**For the Year Ended December 31,**

	<u>2018</u>	<u>2017</u>
Service cost	\$ 2,286	\$ 2,288
Interest on Total OPEB Liability	2,704	2,987
Changes of Benefit Terms	-	-
Effect of Assumptions, Changes or Inputs	(6,266)	2,570
Effect of Economic/Demographic Experience	2,238	(3,844)
Benefit Payments	(4,482)	(4,362)
Other	-	-
<b>Net Change in Total OPEB Liability</b>	<u>(3,520)</u>	<u>(361)</u>
<b>Total OPEB Liability, Beginning</b>	<u>78,546</u>	<u>78,907</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 75,026</u>	<u>\$ 78,546</u>
<b>Pensionable Covered Payroll</b>	<b>\$ 1,493,937</b>	<b>\$ 1,246,186</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>5.02%</b>	<b>6.30%</b>

**Notes to Schedule**

GASB No. 75 requires 10 fiscal years of data to be provided in this schedule. This is the second year of implementation of GASB No. 75. The County will develop the schedule prospectively.

**OTHER SUPPLEMENTARY INFORMATION**

**LOVING COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<b>Creager Arena Memorial Fund</b>	<b>Courthouse Security Fund</b>	<b>County Records Management Fund</b>	<b>Indigent Health Fund</b>	<b>Justice of the Peace Technology Fund</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 257,917	\$ 24,012	\$ 227,035	\$ -	\$ 19,863
Restricted Cash	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 257,917</b>	<b>\$ 24,012</b>	<b>\$ 227,035</b>	<b>\$ -</b>	<b>\$ 19,863</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance</b>					
Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance	-	24,012	227,035	-	19,863
Unassigned Fund Balance	257,917	-	-	-	-
<b>Total Fund Balance</b>	<b>257,917</b>	<b>24,012</b>	<b>227,035</b>	<b>-</b>	<b>19,863</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 257,917</b>	<b>\$ 24,012</b>	<b>\$ 227,035</b>	<b>\$ -</b>	<b>\$ 19,863</b>

**LOVING COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<b>Volunteer Fire Department</b>	<b>Historical Fund</b>	<b>Lateral Road Fund</b>	<b>Lease Funds - Constable</b>	<b>Lease Funds - Sheriff</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 151,220	\$ 10,624	\$ 17,543	\$ 4,208	\$ 728
Restricted Cash	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 151,220</b>	<b>\$ 10,624</b>	<b>\$ 17,543</b>	<b>\$ 4,208</b>	<b>\$ 728</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance</b>					
Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance	151,220	10,624	17,543	4,208	728
Unassigned Fund Balance	-	-	-	-	-
<b>Total Fund Balance</b>	<b>151,220</b>	<b>10,624</b>	<b>17,543</b>	<b>4,208</b>	<b>728</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 151,220</b>	<b>\$ 10,624</b>	<b>\$ 17,543</b>	<b>\$ 4,208</b>	<b>\$ 728</b>

**LOVING COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<b>Appellate Judicial System Fund</b>	<b>Indigent Defense Grant</b>	<b>County Records Archive Fund</b>	<b>Family Area at Community Building</b>	<b>Justice of the Peace Building Security Fund</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ -	\$ 1,236	\$ 291,629	\$ 295,111	\$ 6,583
Restricted Cash	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,236</b>	<b>\$ 291,629</b>	<b>\$ 295,111</b>	<b>\$ 6,583</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ 97	\$ -	\$ -
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>-</b>	<b>-</b>
<b>Fund Balance</b>					
Restricted Fund Balance	-	-	-	-	-
Assigned Fund Balance	-	1,236	291,533	295,111	6,583
Unassigned Fund Balance	-	-	-	-	-
<b>Total Fund Balance</b>	<b>-</b>	<b>1,236</b>	<b>291,533</b>	<b>295,111</b>	<b>6,583</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ -</b>	<b>\$ 1,236</b>	<b>\$ 291,629</b>	<b>\$ 295,111</b>	<b>\$ 6,583</b>

LOVING COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

	<u>Holding Tax Fund</u>	<u>Jury Fund</u>	<u>Public Utility Water Fund</u>	<u>Loving County 4-H Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 121,116	\$ -
Restricted Cash	2,763,354	-	-	-
<b>Total Assets</b>	<b>\$ 2,763,354</b>	<b>\$ -</b>	<b>\$ 121,116</b>	<b>\$ -</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ 53,532	\$ -
Deferred Revenues	1,443,159	-	-	-
<b>Total Liabilities</b>	<b>1,443,159</b>	<b>-</b>	<b>53,532</b>	<b>-</b>
<b>Fund Balance</b>				
Restricted Fund Balance	1,320,195	-	-	-
Assigned Fund Balance	-	-	67,585	-
Unassigned Fund Balance	-	-	-	-
<b>Total Fund Balance</b>	<b>1,320,195</b>	<b>-</b>	<b>67,585</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,763,354</b>	<b>\$ -</b>	<b>\$ 121,116</b>	<b>\$ -</b>

LOVING COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

	Road Improvement Bond	Water Improvement Project	Totals
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,428,825
Restricted Cash	-	-	2,763,354
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,192,179</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ 53,628
Deferred Revenues	-	-	1,443,159
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,496,787</b>
<b>Fund Balance</b>			
Restricted Fund Balance	-	-	1,320,195
Assigned Fund Balance	-	-	1,117,280
Unassigned Fund Balance	-	-	257,917
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>2,695,391</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,192,179</b>

**LOVING COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>Creager Arena Memorial Fund</b>	<b>Courthouse Security Fund</b>	<b>County Records Management Fund</b>	<b>Indigent Health Fund</b>	<b>Justice of the Peace Technology Fund</b>
<b>Revenues</b>					
Investment Earnings	\$ 2,446	\$ 338	\$ 4,312	\$ 325	\$ 401
Charges for Services	-	10,071	42,428	-	7,086
Miscellaneous Revenues	-	-	-	-	-
<b>Total Revenues</b>	<b>2,446</b>	<b>10,409</b>	<b>46,740</b>	<b>325</b>	<b>7,486</b>
<b>Expenditures</b>					
Non-Departmental	29,558	2,762	6,850	-	7,300
<b>Total Expenditures</b>	<b>29,558</b>	<b>2,762</b>	<b>6,850</b>	<b>-</b>	<b>7,300</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(27,111)</b>	<b>7,647</b>	<b>39,890</b>	<b>325</b>	<b>186</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In (Out)	(250,000)	-	-	54,178	-
<b>Total Other Financing Sources (Uses)</b>	<b>(250,000)</b>	<b>-</b>	<b>-</b>	<b>54,178</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>222,889</b>	<b>7,647</b>	<b>39,890</b>	<b>(53,853)</b>	<b>186</b>
Beginning Fund Balance	35,028	16,365	187,145	53,853	19,677
<b>Ending Fund Balance</b>	<b>\$ 257,917</b>	<b>\$ 24,012</b>	<b>\$ 227,035</b>	<b>\$ -</b>	<b>\$ 19,863</b>

**LOVING COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	Volunteer Fire Department	Historical Fund	Lateral Road Fund	Lease Funds - Constable	Lease Funds - Sheriff
<b>Revenues</b>					
Investment Earnings	\$ 2,921	\$ 188	\$ 249	\$ -	\$ -
Charges for Services	-	-	-	-	-
Miscellaneous Revenues	1,500	-	4,596	2,724	967
<b>Total Revenues</b>	<b>4,421</b>	<b>188</b>	<b>4,845</b>	<b>2,724</b>	<b>967</b>
<b>Expenditures</b>					
Non-Departmental	125,593	-	4,600	3,070	239
<b>Total Expenditures</b>	<b>125,593</b>	<b>-</b>	<b>4,600</b>	<b>3,070</b>	<b>239</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(121,172)</b>	<b>188</b>	<b>245</b>	<b>(346)</b>	<b>728</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In (Out)	(242,000)	(700)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(242,000)</b>	<b>(700)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>120,828</b>	<b>888</b>	<b>245</b>	<b>(346)</b>	<b>728</b>
Beginning Fund Balance	30,392	9,736	17,298	4,553	-
<b>Ending Fund Balance</b>	<b>\$ 151,220</b>	<b>\$ 10,624</b>	<b>\$ 17,543</b>	<b>\$ 4,208</b>	<b>\$ 728</b>

**LOVING COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	Appellate Judicial System Fund	Indigent Defense Grant	County Records Archive Fund	Family Area at Community Building	Justice of the Peace Building Security Fund
<b>Revenues</b>					
Investment Earnings	\$ -	\$ -	\$ 5,775	\$ 6,218	\$ -
Charges for Services	55	-	42,520	-	1,369
Miscellaneous Revenues	-	5,248	-	-	-
<b>Total Revenues</b>	<b>55</b>	<b>5,248</b>	<b>48,295</b>	<b>6,218</b>	<b>1,369</b>
<b>Expenditures</b>					
Non-Departmental	-	5,248	4,664	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>5,248</b>	<b>4,664</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>55</b>	<b>-</b>	<b>43,631</b>	<b>6,218</b>	<b>1,369</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In (Out)	728	-	-	(60,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>	<b>-</b>
Net Change in Fund Balance	(673)	-	43,631	66,218	1,369
Beginning Fund Balance	673	1,236	247,902	228,893	5,214
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ 1,236</b>	<b>\$ 291,533</b>	<b>\$ 295,111</b>	<b>\$ 6,583</b>

**LOVING COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<b>Holding Tax Fund</b>	<b>Jury Fund</b>	<b>Public Utility - Water Fund</b>	<b>Loving County 4-H Funds</b>	<b>Road Improvement Bond</b>
<b>Revenues</b>					
Investment Earnings	\$ -	\$ -	\$ 9,100	\$ -	\$ 15
Charges for Services	-	-	-	-	-
Miscellaneous Revenues	-	-	50,277	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>59,377</b>	<b>-</b>	<b>15</b>
<b>Expenditures</b>					
Non-Departmental	-	-	1,294,276	-	3,341
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>1,294,276</b>	<b>-</b>	<b>3,341</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>(1,234,899)</b>	<b>-</b>	<b>(3,327)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In (Out)	-	170	(1,190,477)	6,040	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>170</b>	<b>(1,190,477)</b>	<b>6,040</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(170)</b>	<b>(44,422)</b>	<b>(6,040)</b>	<b>(3,327)</b>
Beginning Fund Balance	1,320,195	170	112,007	6,040	3,327
<b>Ending Fund Balance</b>	<b>\$ 1,320,195</b>	<b>\$ -</b>	<b>\$ 67,585</b>	<b>\$ -</b>	<b>\$ -</b>

LOVING COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

	<b>Water Improvement Project</b>	<b>Totals</b>
<b>Revenues</b>		
Investment Earnings	\$ 1,061	\$ 33,348
Charges for Services	-	103,528
Miscellaneous Revenues	-	65,312
<b>Total Revenues</b>	<b>1,061</b>	<b>202,188</b>
<b>Expenditures</b>		
Non-Departmental	246,589	1,734,090
<b>Total Expenditures</b>	<b>246,589</b>	<b>1,734,090</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(245,528)</b>	<b>(1,531,902)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In (Out)	-	(1,682,061)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,682,061)</b>
Net Change in Fund Balance	(245,528)	150,160
Beginning Fund Balance	245,528	2,545,232
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ 2,695,391</b>