

MCCULLOCH COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

MCCULLOCH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	9
B-1 Statement of Activities	10
Governmental Fund Financial Statements:	
C-1 Balance Sheet	12
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance	15
C-4 Reconciliation for C-3	17
Fiduciary Funds:	
E-1 Statement of Fiduciary Net Position	18
E-2 Statement of Changes in Fiduciary Fund Net Position	19
Notes to the Financial Statements	20
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	41
G-2 Budgetary Comparison Schedule - Road and Bridge Fund	42
G-3 Schedule of Changes in Net Pension Liability and Related Ratios	43
G-4 Schedule of Employer Contributions	45
G-5 Notes to the Schedule of Contributions	46
 <u>Supplementary Information</u>	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds	47
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	53
H-3 Combining Statement of Fiduciary Net Position- Custodial Funds	59
H-4 Combining Statement Additions, Deductions and Changes in Net Position- Custodial Funds	62



NEFFENDORF & BLOCKER, P.C.

Independent Auditor's Report

Honorable Judge and County Commissioners
County of McCulloch
Brady, Texas 76825

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of McCulloch, Texas, (the County), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of McCulloch, Texas, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8), budgetary comparison information (pages 41 through 42) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 43 through 46) 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of McCulloch's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2022, on our consideration of the County of McCulloch, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of McCulloch, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of McCulloch, Texas' internal control over financial reporting and compliance

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas
April 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of McCulloch County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2021. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$18,139,207 (net position). Of this amount, \$6,372,508 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position increased by \$853,672 as a result of this year's operations.
- At September 30, 2021, the County's governmental funds reported combined ending fund balances of \$7,299,959, an increase of \$1,119,621 in comparison with the prior year, including a prior period adjustment of \$27,771.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12-13 & 15-16) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (General Fund and Road and Bridge Fund) pages 41 and 42, the Schedule of Changes in Net Pension Liability and Related Ratios, page 43, the Schedule of Employer Contributions, page 45 and the Notes to the Schedule of Contributions, page 46 are presented as required supplementary information

The combining statements (starting on page 47) for nonmajor funds contain even more information about the County's individual funds.

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 9. 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. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

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

➤ Governmental activity - Most of the County's basic services are reported here, including public safety, roads and bridges, health and human services, culture and recreation, county courts and general administration. Property taxes, user charges, sales tax and grants finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 12-13 & 15-16 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most of the County's basic services 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 statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the County's governmental activities increased from \$17,257,764 to \$18,139,207. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$6,372,508 at September 30, 2021. This increase in governmental net position was the result of several factors. First, the County's revenues exceeded the expenditures by \$1,091,850. Second, the County paid principal on long-term debt in the amount of \$944,408. Third, the County acquired capital assets in the amount of \$20,000. Fourth, the County recorded depreciation in the amounts of \$1,019,174. Fifth, a net increase of \$61,407 due to the required entries of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Table I
McCulloch County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 9,114	\$ 7,508
Capital Assets	21,088	22,401
Total Assets	<u>\$ 30,202</u>	<u>\$ 29,909</u>
Deferred Outflow of Resources		
Deferred Outflow Related to Pension	\$ 362	\$ 131
Total Deferred Outflows of Resources	<u>\$ 362</u>	<u>\$ 131</u>
Long-Term Liabilities	\$ 10,224	\$ 11,233
Other Liabilities	1,945	1,341
Total Liabilities	<u>\$ 12,169</u>	<u>\$ 12,574</u>
Deferred Inflows of Resources		
Deferred Inflow Related to Pension	\$ 256	\$ 208
Net Position:		
Net Investment in		
Capital Assets	\$ 10,033	\$ 10,644
Restricted	1,734	1,478
Unrestricted	<u>6,372</u>	<u>5,136</u>
Total Net Position	<u>\$ 18,139</u>	<u>\$ 17,258</u>

Table II
McCulloch County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2021	2020
Revenues:		
Charges for Services	\$ 1,065	\$ 1,369
Property Taxes	5,361	5,238
Sales Tax	586	939
Investment Earnings	69	90
Miscellaneous	65	398
Grants & Contributions - Operating	314	678
Grants & Contributions - Capital	205	1
Total Revenue	\$ 7,665	\$ 8,713
Expenses:		
General Administration	\$ 1,539	\$ 1,629
Judicial	936	623
Elections	58	25
Public Safety	2,177	2,072
Road and Bridge	916	1,511
Parks	1	308
Non-departmental	768	721
Veteran's Service Office	8	11
Ag Extension	101	91
Debt Service - Interest on long-term debt	307	332
Total Expenses	\$ 6,811	\$ 7,323
Increase (Decrease) in Net Position	\$ 854	\$ 1,390
Net Position, Beginning	17,258	15,868
Prior Period Adjustment	27	-
Net Position, Ending	\$ 18,139	\$ 17,258

The cost of all governmental activities this year was \$6,810,253. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,361,400 because the other costs were paid by sales tax (\$585,966), operating and capital grants (\$518,891), user charges (\$1,064,762) and other miscellaneous (\$132,906).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$7,299,959, which is more than last year's total of \$6,180,338. Included in this year's total change in fund balance is an increase of \$1,064,622 in the County's General Fund. The primary reason for the General Fund's decrease is due to revenues exceeded expenditures.

The Commissioners' Court adopted the General and Road and Bridge Fund Budgets. The County amended the original budget; actual revenues were more than budgeted amounts in the General Fund and more than budgeted amounts in the Road and Bridge Fund. Actual expenditures were less than the budgeted amounts in the General Fund and more than budgeted amounts in the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2021, the County had \$21,088,081 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements.

CAPITAL ASSETS

in thousands

	Governmental Activities	
	2021	2020
Land	\$ 201	\$ 201
Infrastructure	1,929	1,929
Buildings & Improvements	21,209	21,209
Furniture and Equipment	3,130	4,155
Vehicles	579	570
Total Capital Assets	\$ 27,048	\$ 28,064
Less: Accumulated Depreciation	5,960	5,663
Capital Assets, Net	\$ 21,088	\$ 22,401

More detailed information about the County's capital assets is presented in Note 3.E. to the financial statements.

DEBT

At September 30, 2021, the County had the following outstanding debt:

OUTSTANDING DEBT

in thousands

	Governmental Activities	
	2021	2020
Notes Payable	\$ 96	\$ 96
Capital Leases Payable	1,134	1,478
Compensated Absences	22	42
Bonds Payable	9,841	10,427
Total Outstanding Debt	\$ 11,093	\$ 12,043

At year-end, the County had \$95,527 in notes payable, \$9,841,040 in bonds outstanding and \$1,134,299 in capital leases payable. During the year, the County paid \$944,408 in principal on the outstanding long-term debt.

More detailed information about the County's long-term liabilities is presented in Note 3.F., 3.G., 3.H. and 3.I. to the financial statements.

FUTURE ADOPTION OF ACCOUNTING POLICIES

The Government Accounting Standards Board has issued the following potentially significant statements which the County has not yet adopted, and which required adoption subsequent to September 30, 2021.

<u>Statement No.</u>	<u>Title</u>	<u>Adoption Required</u>
87	Leases	September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund and Road and Bridge Fund budgets for 2022. Amounts available for appropriation in the General Fund budget are \$5,472,313 and expenditures are estimated to be \$5,472,313. If these estimates are realized, the County's budgetary General fund balance is expected to remain the same by the end of fiscal year 2022. Amount available in the Road and Bridge Fund budget are \$762,375 and expenditures are estimated to be \$762,375. If these estimates are realized, the County's budgetary Road and Bridge fund balance is expected to remain the same by the end of fiscal year 2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 County Treasurer's office, at McCulloch County, Texas, Brady, Texas.

BASIC FINANCIAL STATEMENTS

MCCULLOCH COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 7,647,925
Investments - Current	400,000
Accounts Receivable, Net	625,407
Prepaid Items	254
Restricted Cash	101,022
Capital Assets:	
Land Purchase and Improvements	200,615
Infrastructure, Net	1,176,194
Buildings, Net	17,716,803
Furniture and Equipment, Net	1,799,199
Vehicles, Net	195,270
Net Pension Asset	339,183
Total Assets	30,184,621
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	361,510
Total Deferred Outflows of Resources	361,510
LIABILITIES	
Accounts Payable	128,708
Wages and Salaries Payable	121,518
Compensated Absences Payable	22,330
Accrued Interest Payable	37,468
Unearned Revenues	803,399
Noncurrent Liabilities:	
Debt Due Within One Year	831,554
Due in More Than One Year	10,223,622
Total Liabilities	12,168,599
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	255,576
Total Deferred Inflows of Resources	255,576
NET POSITION	
Net Investment in Capital Assets	10,032,905
Restricted:	
Restricted for Special Revenue	1,605,378
Restricted for Debt Service	128,416
Unrestricted	6,372,508
Total Net Position	\$ 18,139,207

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

MCCULLOCH COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Administrative	\$ 1,538,604	\$ 244,378	\$ 96,448
Judicial	935,497	74,135	-
Elections	57,706	-	120,000
Public Safety	2,176,406	305,972	22,301
Road & Bridge	916,025	440,277	43,636
Parks	1,284	-	-
Non-Departmental	768,017	-	31,185
Veteran's Service Office	8,210	-	-
Ag Extension	101,161	-	-
Interest on Debt	307,343	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,810,253</u>	<u>\$ 1,064,762</u>	<u>\$ 313,570</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Other Taxes

Penalty and Interest on Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position- Beginning

Prior Period Adjustment

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Primary Government Governmental	
\$	-	\$	(1,197,778)
	-		(861,362)
	-		62,294
	-		(1,848,133)
	205,321		(226,791)
	-		(1,284)
	-		(736,832)
	-		(8,210)
	-		(101,161)
	-		(307,343)
\$	<u>205,321</u>		<u>(5,226,600)</u>

4,576,449
784,951
585,966
9,183
54,686
429
68,608
<u>6,080,272</u>
853,672
17,257,764
27,771
<u>\$ 18,139,207</u>

MCCULLOCH COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Road & Bridge Fund	Coronavirus Local Fiscal Recovery
ASSETS			
Cash and Cash Equivalents	\$ 4,997,774	\$ 632,405	\$ 777,090
Investments - Current	400,000	-	-
Taxes Receivable	94,253	-	-
Allowance for Uncollectible Taxes (credit)	(14,138)	-	-
Accounts Receivable, Net	90,720	109,615	-
Due from Other Funds	-	35,993	-
Prepaid Items	254	-	-
Restricted Cash	-	101,022	-
Total Assets	<u>\$ 5,568,863</u>	<u>\$ 879,035</u>	<u>\$ 777,090</u>
LIABILITIES			
Accounts Payable	\$ 77,179	\$ 51,529	\$ -
Wages and Salaries Payable	111,558	9,960	-
Due to Other Funds	35,993	-	-
Unearned Revenues	28,000	-	775,399
Total Liabilities	<u>252,730</u>	<u>61,489</u>	<u>775,399</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	80,115	-	-
Total Deferred Inflows of Resources	<u>80,115</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for Road & Bridge	-	817,546	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	-	1,691
Other Assigned Fund Balance	-	-	-
Unassigned Fund Balance	5,236,018	-	-
Total Fund Balances	<u>5,236,018</u>	<u>817,546</u>	<u>1,691</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,568,863</u>	<u>\$ 879,035</u>	<u>\$ 777,090</u>

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 125,310	\$ 1,115,346	\$ 7,647,925
-	-	400,000
14,423	423	109,099
(2,163)	(127)	(16,428)
3,106	942	204,383
-	-	35,993
-	-	254
-	-	101,022
<u>\$ 140,676</u>	<u>\$ 1,116,584</u>	<u>\$ 8,482,248</u>
\$ -	\$ -	\$ 128,708
-	-	121,518
-	-	35,993
-	-	803,399
-	-	1,089,618
12,260	296	92,671
<u>12,260</u>	<u>296</u>	<u>92,671</u>
-	-	817,546
128,416	-	128,416
-	786,141	787,832
-	330,147	330,147
-	-	5,236,018
<u>128,416</u>	<u>1,116,288</u>	<u>7,299,959</u>
<u>\$ 140,676</u>	<u>\$ 1,116,584</u>	<u>\$ 8,482,248</u>

MCCULLOCH COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	7,299,959
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		10,302,116
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 reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.		964,408
The County reported their net pension liability in the Government Wide Statement of Net Position in accordance with GASB Statement No. 68. The items reported as a result of this implementation included a Net Pension Asset of \$339,183, a Deferred Resource Outflow of \$361,510 and a Deferred Resource Inflow of \$255,576. The net effect of these was to increase ending net position by \$445,117.		445,117
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,019,174)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of noncurrent loans as an increase in notes payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		146,781
Net Position of Governmental Activities	\$	18,139,207

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

MCCULLOCH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Road & Bridge Fund	Coronavirus Local Fiscal Recovery
REVENUES:			
Taxes:			
Property Taxes	\$ 4,044,415	\$ 363,639	\$ -
General Sales and Use Taxes	585,966	-	-
Other Taxes	9,183	-	-
Penalty and Interest on Taxes	46,519	-	-
Licenses and Permits	5,400	-	-
Intergovernmental Revenue and Grants	269,934	248,957	-
Charges for Services	352,654	428,404	-
Fines	218,911	11,924	-
Investment Earnings	43,451	15,965	1,691
Other Revenue	102,517	2,743	-
Total Revenues	5,678,950	1,071,632	1,691
EXPENDITURES:			
Current:			
General Administrative	1,250,803	-	-
Judicial	758,446	-	-
Elections	29,260	-	-
Public Safety	1,845,530	-	-
Public Works:			
Road & Bridge	-	779,825	-
Culture and Recreation:			
Non-Departmental	762,936	-	-
Veteran's Service Office	8,210	-	-
Conservation and Development:			
Ag Extension	84,733	-	-
Debt Service:			
Principal on Debt	66,004	292,404	-
Interest on Debt	7,374	39,060	-
Total Expenditures	4,813,296	1,111,289	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	865,654	(39,657)	1,691
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	175,579	-
Noncurrent Loans	-	14,000	-
Transfers In	198,968	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	198,968	189,579	-
Net Change in Fund Balances	1,064,622	149,922	1,691
Fund Balance - October 1 (Beginning)	4,171,396	667,624	-
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ 5,236,018	\$ 817,546	\$ 1,691

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 776,645	\$ 110,925	\$ 5,295,624
-	-	585,966
-	-	9,183
7,961	206	54,686
-	-	5,400
-	-	518,891
-	43,003	824,061
-	4,465	235,300
980	6,521	68,608
-	69,665	174,925
<u>785,586</u>	<u>234,785</u>	<u>7,772,644</u>
-	15,548	1,266,351
-	12,156	770,602
-	18,365	47,625
-	11,567	1,857,097
-	-	779,825
-	7,362	770,298
-	-	8,210
-	-	84,733
586,000	-	944,408
294,790	-	341,224
<u>880,790</u>	<u>64,998</u>	<u>6,870,373</u>
<u>(95,204)</u>	<u>169,787</u>	<u>902,271</u>
-	-	175,579
-	-	14,000
151,981	2,823	353,772
-	(353,772)	(353,772)
<u>151,981</u>	<u>(350,949)</u>	<u>189,579</u>
56,777	(181,162)	1,091,850
71,639	1,269,679	6,180,338
-	27,771	27,771
<u>\$ 128,416</u>	<u>\$ 1,116,288</u>	<u>\$ 7,299,959</u>

MCCULLOCH 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 SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	1,091,850
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 reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase the change in net position.		964,408
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$335,451 and total debits to expenses were \$274,044. The net effect on the change in net position on Exhibit B-1 is an increase of \$61,407.		61,407
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(1,019,174)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of loans, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(244,819)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>853,672</u>

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

MCCULLOCH COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

EXHIBIT E-1

	Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 499,500
Accounts Receivable, Net	6,949
Total Assets	<u>506,449</u>
LIABILITIES	
Intergovernmental Payable	57,641
Total Liabilities	<u>57,641</u>
NET POSITION	
Restricted for Other Purposes	448,808
Total Net Position	<u>\$ 448,808</u>

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

MCCULLOCH COUNTY, TEXAS
STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT E-2

	Custodial Funds
<hr/>	
ADDITIONS:	
Investment Earnings	\$ 629
Contributions & Donations from Private Sources	4,678
Other Revenue	3,283,590
Total Additions	3,288,897
DEDUCTIONS:	
Other Operating Costs	3,285,413
Total Deductions	3,285,413
Net Change in Fiduciary Net Position	3,484
Total Net Position - October 1 (Beginning)	-
Prior Period Adjustment	445,324
Total Net Position - September 30 (Ending)	\$ 448,808

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

McCULLOCH COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of McCulloch County, Texas (the County) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) applicable to state and local governments. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by statutes of the State of Texas; general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (County Attorney, etc.), public safety (sheriff, jail, etc.) and transportation. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include: (a) fees, fines, and charges paid by the recipient of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 equity, revenues, and expenditure/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 for all funds of that category or type; and

- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes other than debt service or capital projects.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Permanent Improvement Fund

The Permanent Improvement Fund accounts for financial resources to be used for the acquisition or construction of road and bridge projects.

Fiduciary Funds (Not included in government-wide statements)

Custodial Funds

Custodial funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. The County uses custodial funds to account for assets held in an agent capacity for other governments.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
<u>General Fund</u>	See above for description.
<u>Special Revenue Fund:</u>	
Road & Bridge Fund	Accounts for all road and bridge construction and maintenance activity.
Coronavirus State & Local Fiscal Recovery Fund	Accounts for grant proceeds and related expenditures for funds appropriated from the American Rescue Plan Act.
<u>Debt Service Fund</u>	Accounts for the collection of taxes to pay principal and interest on bonds.

Nonmajor funds consist of special revenue funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. 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.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency and private purpose trust funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, 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 used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables and Payables

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

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance, and special revenues based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Special Revenue Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable October 1, and are delinquent February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital Assets

Government-wide Statements

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 50 years
Infrastructure	5 - 50 years
Vehicles	5 years
Machinery and Equipment	2 - 15 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 governmental fund upon acquisition.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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

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

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

Upon termination from County employment, an employee shall be entitled to payment for total accrued but unused days of vacation not accumulated beyond 80 hours. Comp time earned, but not taken, is paid at termination. Unused sick leave is not paid at termination.

Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - 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 position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

The County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. Commissioners' Court). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court

delegates the authority.

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commissioners' Court establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners' Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character: Current (further classified by function)
 Debt Service
 Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

BUDGETARY INFORMATION

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Treasurer and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues. Commissioners Court may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total of the budget. Formal budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects operations. Budgets for these funds are prepared on a cash basis. Unused appropriations lapse at the end of each year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2021 the carrying amount of the County's deposits was \$8,147,425 and the bank balance was \$7,969,495. The County's cash deposits held at Commercial National Bank at September 30, 2021 and during the year ended September 30, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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 and guaranteed investment contracts. 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.

Investments consisted of certificates of deposits as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Certificates of Deposit	\$ 400,000	\$ 400,000	\$ 250,000	\$ 9,480,964

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:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County’s deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County 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’s investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2021, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Restricted Cash

The County's funds in West Texas Rural Counties Association (WTRCA) in the Designated Member Equity Fund at September 30, 2021 are presented in the financial statements as restricted cash and are summarized below:

	<u>Balance</u> <u>9/30/2020</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Balance</u> <u>9/30/2021</u>
Precinct 1	\$ 51,022	\$	\$	\$ 51,022
Precinct 2	30,000			30,000
Precinct 3	-			-
Precinct 4	20,000			20,000
	\$ <u>101,022</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>101,022</u>

The funds remain the property of McCulloch County and are subject to the Designated Member Equity Fund Regulations established by the Board of Directors. Monies on deposit in this fund are designated member equity in a self-insurance pool, as allowed by statute. Monies on deposit in this fund are not an investment. An annual dividend of 10% was approved by McCulloch County on this equity fund for the current fiscal year by the WTRCA Board of Directors. Withdrawals of Designated Member Equity can be made with twelve (12) months written notice, or with WTRCA Board of Directors approval in the event of a financial emergency within the Member County.

3.B. RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>Coronavirus Local Fiscal Recovery</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>TOTAL</u>
Receivables:						
Property Taxes	\$ 94,253	\$ -	\$ -	\$ 14,423	\$ 423	\$ 109,099
Other	<u>90,720</u>	<u>109,615</u>	<u>-</u>	<u>3,106</u>	<u>942</u>	<u>204,383</u>
Gross Receivables	\$ 184,973	\$ 109,615	\$ -	\$ 17,529	\$ 1,365	\$ 313,482
Less: Allowance for Uncollectibles	<u>14,138</u>	<u>-</u>	<u>-</u>	<u>2,163</u>	<u>127</u>	<u>16,428</u>
Net Total Receivables	<u>\$ 170,835</u>	<u>\$ 109,615</u>	<u>\$ -</u>	<u>\$ 15,366</u>	<u>\$ 1,238</u>	<u>\$ 297,054</u>

Governmental funds report *Deferred Inflows of Resources- Unavailable Revenue* in connections with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report *Unearned Revenue* or defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *Unavailable and Unearned Revenues* reported in the governmental funds were as follows:

General Fund -	
Unavailable Revenue - Property Taxes	\$ 80,115
Debt Service Fund -	
Unavailable Revenue - Property Taxes	12,260
Other Governmental Funds -	
Unavailable Revenue - Property Taxes	<u>296</u>
TOTAL UNAVAILABLE AND UNEARNED REVENUES	<u>\$ 92,671</u>

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$1,313,412, which represents amounts owed and outstanding for several years. Based on historical collection rates for the various courts, the County has estimated an allowance for uncollectible court fines and fees of \$985,059, resulting in a net receivable of \$328,353.

3.D. PROPERTY TAXES

The County contracted with the McCulloch County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2020 tax roll, the total assessed valuation for McCulloch County was \$662,095,644 and the taxes assessed amounted to \$5,251,163. The total tax rate was \$.7800 per \$100 valuation and allocated \$.6631 to the General, \$.1140 to the Debt Service Fund and \$.0029 to the Special Road and Bridge Fund. The maximum levy allowed by the State law for the above purposes is \$0.80 per \$100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

3.E. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2021.

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated				
Land	\$ 200,615	\$ -	\$ -	\$ 200,615
Total Capital Assets, Not Depreciated	\$ 200,615	\$ -	\$ -	\$ 200,615
Capital Assets, Depreciated				
Infrastructure	1,928,955	-	-	1,928,955
Buildings and Improvements	21,209,147	-	-	21,209,147
Furniture and Equipment	4,146,025	20,000	(1,036,182)	3,129,843
Vehicles	579,718	-	-	579,718
Total Capital Assets, Depreciated	\$ 27,863,845	\$ 20,000	\$ (1,036,182)	\$ 26,847,663
Less Accumulated Depreciation for:				
Infrastructure	656,313	96,448	-	752,761
Buildings and Improvements	3,001,152	491,192	-	3,492,344
Furniture and Equipment	1,710,094	343,010	(722,460)	1,330,644
Vehicles	295,924	88,524	-	384,448
Total Accumulated Depreciation	\$ 5,663,483	\$ 1,019,174	\$ (722,460)	\$ 5,960,197
Total Capital Assets, Depreciated	\$ 22,200,362	\$ (999,174)	\$ (313,722)	\$ 20,887,466
Governmental Activities				
Capital Assets, Net	\$ 22,400,977	\$ (999,174)	\$ (313,722)	\$ 21,088,081

Depreciation expense was charged to functions/programs of the County as follow:

Governmental Activities:	
General Administration	\$ 287,615
Judicial	173,974
Elections	10,081
Public Safety	366,853
Road & Bridge	162,009
Parks	1,284
Ag Extension	17,358
Total Depreciation Expense-	
Governmental Activities	<u>\$ 1,019,174</u>

3.F. LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2021.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable -					
First Financial Bank	\$ 44,420	\$ -	\$ 14,310	\$ 30,110	\$ 14,799
Government Capital	51,417	-	-	51,417	9,982
Commercial National Bank	-	14,000	-	14,000	4,442
Total Notes Payable	<u>\$ 95,837</u>	<u>\$ 14,000</u>	<u>\$ 14,310</u>	<u>\$ 95,527</u>	<u>\$ 29,223</u>
Bonds Payable-					
Bond Series 2008	\$ 375,000	\$ -	\$ 120,000	\$ 255,000	\$ 125,000
Bond Series 2017	8,655,000	-	290,000	8,365,000	300,000
Tax Note Series 2019	1,146,000	-	176,000	970,000	181,000
Bond Premium	251,040	-	-	251,040	-
Total Bonds Payable	<u>\$ 10,427,040</u>	<u>\$ -</u>	<u>\$ 586,000</u>	<u>\$ 9,841,040</u>	<u>\$ 606,000</u>
Capital Leases-					
American National Leasing	\$ 958,597	\$ -	\$ 147,440	\$ 811,157	\$ 172,772
Catepillar Financial	341,279	-	18,137	323,142	23,559
Total Capital Leases	<u>\$ 1,299,876</u>	<u>\$ -</u>	<u>\$ 165,577</u>	<u>\$ 1,134,299</u>	<u>\$ 196,331</u>
Compensated Absences	\$ 41,928	-	\$ 19,598	\$ 22,330	-
TOTAL	<u><u>\$ 11,864,681</u></u>	<u><u>\$ 14,000</u></u>	<u><u>\$ 785,485</u></u>	<u><u>\$ 11,093,196</u></u>	<u><u>\$ 831,554</u></u>

3.G. BONDS PAYABLE

Bonds payable at September 30, 2021 consisted of the following:

\$1,525,000 Certificates of Obligation, Series 2008, principal amounts on these certificates are due and payable annually beginning June 1, 2009. Interest is due and payable semi-annually beginning December 1, 2008 at a rate of 3.797%. These certificates will be paid in full on June 1, 2023.	\$ 255,000
\$9,355,000 General Obligation Bonds, Series 2017, principal amounts on these bonds are due and payable annually beginning February 15, 2018. Interest is due and payable semi-annually beginning February 15, 2018, at a rate of 2.99%. These bonds will be paid in full on February 15, 2037.	8,365,000
\$1,305,000 Tax Note, Series 2019, principal amounts on these notes are due and payable annually beginning February 15, 2020. Interest is due and payable semi-annually beginning February 15, 2020, at a rate of 2.39%. These notes will be paid in full on February 15, 2026.	970,000
Total Bonds Payable	<u><u>\$ 9,590,000</u></u>

The annual requirements for principal and interest on the outstanding bonds are as follows:

Year Ended September 30	Principal	Interest	Total
2022	\$ 606,000	\$ 277,152	\$ 883,152
2023	623,000	258,922	881,922
2024	649,000	238,021	887,021
2025	665,000	219,512	884,512
2026	687,000	200,474	887,474
2027-2031	2,630,000	761,550	3,391,550
2032-2036	3,060,000	335,550	3,395,550
2037-2041	670,000	10,050	680,050
Totals	<u>\$ 9,590,000</u>	<u>\$ 2,301,231</u>	<u>\$ 11,891,231</u>

3.H. NOTES PAYABLE

Notes payable at September 30, 2021 consisted of the following:

Note payable for financing law enforcement software dated December 22, 2017, principal and interest of \$16,022 due annually, interest rate 4.05%, final maturity date February 15, 2023	\$	30,110
Note payable for financing election equipment dated August 24, 2020, principal and interest of \$11,408 due annually, interest rate 3.395%, final maturity date October 31, 2025		51,417
Note payable for financing equipment dated February 25, 2021, principal and interest of \$5,104 due annually, interest rate 4.5%, final maturity date March 15, 2024		14,000
TOTAL NOTES PAYABLE	\$	<u>95,527</u>

Year Ended September 30	Principal	Interest	Total
2022	\$ 28,653	\$ 3,880	\$ 32,533
2023	29,967	2,567	32,534
2024	15,204	1,308	16,512
2025	10,671	737	11,408
2026	11,032	375	11,407
Totals	<u>\$ 95,527</u>	<u>\$ 8,867</u>	<u>\$ 104,394</u>

3.I. CAPITAL LEASE PAYABLE

Capital leases payable at September 30, 2021 consists of the following:

Capital lease for financing a 2019 Chevy Tahoe dated March 1, 2019, principal and interest of \$12,745 due annually with a final balloon payment of \$9,000, interest rate 4.740%, final maturity date March 1, 2022	\$	20,761
Capital lease to refinance two 2019 Caterpillar motor graders dated August 14, 2020, principal and interest of \$25,403 due on each lease annually with a		347,494

final balloon payment of \$88,384 for each lease, interest rate 2.85%, final maturity date March 1, 2025	
Capital lease for financing a 2019 Chevy Tahoe dated June 27, 2019, principal and interest of \$11,172 due annually with a final balloon payment of \$9,000, interest rate 4.550%, final maturity date June 27, 2022	19,301
Capital lease for financing a 2019 Chevy 1500 Crew 4x4 dated June 27, 2019, principal and interest of \$7,970 due annually with a final balloon payment of \$9,000, interest rate 4.550%, final maturity date June 27, 2022	16,232
Capital lease to finance two Caterpillar motor graders dated September 12, 2019, principal and interest of \$35,000 due annually with a final balloon payment of \$249,922, interest rate 3.5%, final maturity date August 6, 2024	323,142
Capital lease to refinance an extension office vehicle dated March 1, 2020, principal and interest of \$11,250 due annually, interest rate 2.65%, final maturity date March 1, 2023	21,386
Capital lease to refinance a track loader with mulcher dated August 14, 2020, principal and interest of \$32,389 due annually, interest rate 2.65%, final maturity date March 1, 2022	31,554
Capital lease to finance a motor grader dated July 29, 2020, principal and interest of \$5,256 due annually with a balloon payment of \$150,000, interest rate 2.85%, final maturity date August 14, 2025	153,653
Capital lease to refinance a motor grader date August 14, 2020, principal and interest of \$23,564 due annually with a balloon payment of \$125,721, interest rate 2.65%, final maturity date December 15, 2023	164,632
Capital lease to finance a 2019 Tahoe for the sheriff's department dated July 29, 2020, principal and interest of \$14,351 due annually with a final balloon payment of \$9,000, interest rate 2.65%, final maturity date July 29, 2023	36,144
TOTAL CAPITAL LEASES PAYABLE	\$ <u>1,134,299</u>

A summary of the future minimum lease payments under the agreements along with the present value of the minimum debt payments as of September 30, 2021 follows:

<u>Year Ended September 30</u>	
2022	230,886
2023	274,320
2024	339,734
2025	206,062
2026	176,768
Total Minimum Debt Payments	\$ 1,227,770
Less Amount Representing Interest	93,471
Present Value of Debt Payments	\$ <u>1,134,299</u>

3.J. INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2021, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 198,968	\$ -
Debt Service Fund	151,981	-
Nonmajor Special Revenue Funds	-	350,949
	<u>\$ 350,949</u>	<u>\$ 350,949</u>

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

Plan Description

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. McCulloch County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 160%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The McCulloch County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2020 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, <https://www.tcdrs.org/employers/>

Members covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>45</u>
	135

Contributions

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

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

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

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

The contribution rate payable by the employee members for calendar year 2020 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County’s contributions to TCDRS for the year ended September 30, 2021 were \$152,463, and were more than the required contributions.

Net Pension Liability

The County’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general

wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for McCulloch County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2014 Mortality Tables

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (Net) Index	2.50%	4.55%
International Equities – Developed Markets	MSCI World Ex USA (Net) Index	5.00%	4.25%
International Equities – Emerging Markets	MSCI Emerging Markets (Net) Index	6.00%	4.75%
Investment – Grade Bonds	Bloomberg Barclays US Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

⁽¹⁾ Target asset allocation adopted at the March 2021 TCDRS Board meeting

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 2.0% per Cliffwater's 2021 capital market assumptions.

⁽³⁾ Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2006- present of Quarter Pooled Horizon IRRs.

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pensions plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2019	\$ 5,614,607	\$ 6,075,339	\$ (460,732)
Changes for the Year:			
Service Cost	229,997		229,997
Interest on Total Pension Liability ⁽¹⁾	457,842		457,842
Effect of Plan Changes ⁽²⁾	-		-
Effects of Economic/Demographic			
Gains or Losses	22,927		22,927
Effect of Assumptions Changes or Inputs	337,253		337,253
Refund of Contributions	(29,995)	(29,995)	-
Benefit Payments	(362,111)	(362,111)	-
Administrative Expenses		(4,836)	4,836
Member Contributions		152,905	(152,905)
Net Investment Income		627,447	(627,447)
Employer Contributions		152,905	(152,905)
Other ⁽³⁾	-	(1,952)	1,952
Balances as of December 31, 2020	\$ 6,270,520	\$ 6,609,702	\$ (339,182)

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the McCulloch County net pension liability 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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 7,068,301	\$ 6,270,519	\$ 5,606,271
Fiduciary Net Position	6,609,703	6,609,703	6,609,703
Net Pension Liability/(Asset)	\$ 458,598	\$ (339,183)	\$ (1,003,432)

Pension Expense / (Income)

Prepaid Expense/(Income)	January 1, 2020 to December 31, 2020
Service Cost	\$ 229,997
Interest on Total Pension Liability ⁽¹⁾	457,842
Effect of Plan Changes	-
Administrative Expenses	4,836
Member Contributions	(152,905)
Expected Investment Return Net of Investment Expenses	(488,406)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(12,630)
Recognition of Assumption Changes or Inputs	119,805
Recognition of Investment Gains or Losses	(69,434)
Other ⁽²⁾	1,952
Pension Expense/(Income)	\$ 91,057

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

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

As of September 30, 2021, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 22,124	\$ 18,993
Changes of assumptions	-	232,223
Net difference between projected and actual earnings	233,452	-
Contributions made subsequent to measurement date	N/A	110,294

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

Year Ended December 31	
2021	\$ 31,949
2022	113,426
2023	(121,926)
2024	(27,809)
2025	-
Thereafter ⁽⁴⁾	-

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

4.B. RISK MANAGEMENT

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers compensation. The County has elected to participate in a shared risk pool along with a number of other rural Texas counties and other government organizations for all of these risks. The County makes regular payment to the West Texas Rural Counties Association (the Association) in amounts that would be comparable to the premiums that would be paid to a commercial insurance carrier. The Association has obtained catastrophic stop-loss coverage for risks covered in its liability and other insurance fund. Within the liability pool, disbursements are allocated among the counties based on

comparison of the counties to each other. All members pay their own claims, up to this allocated amount for the year, once a member meets that limit, all pool members share in any excess claims up to the point that the specific stop-loss coverage takes over.

4.C. HEALTH INSURANCE

All regular full-time employees of the County are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the County. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

4.D. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

4.E. TAX ABATEMENT AGREEMENTS

The Governmental Accounting Standards Board issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). The standard requires local governments to disclose information about tax abatement agreements for reporting periods beginning after December 15, 2015. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government's tax revenues.

In August 2015, the County created the Rattlesnake Reinvestment Zone pursuant to Chapter 312 of the Texas Property Tax Code. The County entered into a tax abatement agreement with Rattlesnake Power, LLC in September 2015. The period in which taxes are abated will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in accordance with the terms of this agreement. The County abates the ad valorem taxes as agreed upon in the schedule of % abatement (% of taxes abated by year of operation). Upon default and termination, the County is entitled to recapture of property tax revenue lost (100% of taxes already abated). For the year ended September 30, 2021, the amount of taxes abated under this agreement was \$774,222 for the County and \$3,386 for the County Special.

In March of 2016, the County created the Heart of Texas Reinvestment Zone No. 3 and No. 4 pursuant to Chapter 312 of the Texas Property Tax Code. The County entered into a tax abatement agreement with Heart of Texas Wind, LLC in April 2016. The period in which taxes are abated will begin on the Commencement Date and will terminate on December 31 of the tenth (10th) year following the Commencement Date, unless sooner terminated in accordance with the terms of this agreement.

4.F. UNEARNED REVENUE

Unspent U.S. Department of Treasury State and Local Fiscal Recovery Funds in the amount of \$775,399 are classified as unearned revenue in the Coronavirus Local Fiscal Recovery Fund. The funds are for response to the COVID-19 public health emergency.

4.G. PRIOR PERIOD ADJUSTMENT

The County implemented the provision of GASB Statement No. 84, *Fiduciary Activities*. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defined types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

Implementation of GASB Statement No. 84 required a restatement of net position for the fiduciary funds of \$445,324 and a restatement of fund balance for the governmental funds of \$27,771. This adjustment was needed to move the beginning balances to newly created fiduciary funds.

4.H. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded appropriations in the Road and Bridge Fund in total.

4.F. SUBSEQUENT EVENTS

The County has evaluated subsequent events through April 11, 2022, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MCCULLOCH COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 3,951,321	\$ 3,951,321	\$ 4,044,415	\$ 93,094
General Sales and Use Taxes	550,000	550,000	585,966	35,966
Other Taxes	5,000	5,000	9,183	4,183
Penalty and Interest on Taxes	-	-	46,519	46,519
Licenses and Permits	3,000	3,000	5,400	2,400
Intergovernmental Revenue and Grants	39,515	39,515	269,934	230,419
Charges for Services	282,250	282,250	352,654	70,404
Fines	160,000	160,000	218,911	58,911
Investment Earnings	40,000	40,000	43,451	3,451
Other Revenue	79,278	175,726	102,517	(73,209)
Total Revenues	<u>5,110,364</u>	<u>5,206,811</u>	<u>5,678,950</u>	<u>472,139</u>
EXPENDITURES:				
Current:				
General Administrative	1,314,028	1,314,028	1,250,803	63,225
Judicial	834,830	834,830	758,446	76,384
Elections	23,000	23,000	29,260	(6,260)
Public Safety	1,857,135	1,953,583	1,845,530	108,053
Culture and Recreation:				
Non-Departmental	877,800	877,800	762,936	114,864
Veteran's Service Office	11,141	11,141	8,210	2,931
Conservation and Development:				
Ag Extension	87,113	87,113	84,733	2,380
Debt Service:				
Principal on Debt	69,945	69,945	66,004	3,941
Interest on Debt	11,415	11,415	7,374	4,041
Total Expenditures	<u>5,086,407</u>	<u>5,182,855</u>	<u>4,813,296</u>	<u>369,559</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,957</u>	<u>23,956</u>	<u>865,654</u>	<u>841,698</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	353,772	353,772
Transfers Out	-	-	(154,804)	(154,804)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>198,968</u>	<u>198,968</u>
Net Change	23,957	23,956	1,064,622	1,040,666
Fund Balance - October 1 (Beginning)	<u>4,171,396</u>	<u>4,171,396</u>	<u>4,171,396</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,195,353</u>	<u>\$ 4,195,352</u>	<u>\$ 5,236,018</u>	<u>\$ 1,040,666</u>

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

MCCULLOCH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Property Taxes	\$ 351,229	\$ 351,229	\$ 363,639	\$ 12,410
Intergovernmental Revenue and Grants	34,800	145,559	248,957	103,398
Charges for Services	320,000	320,000	428,404	108,404
Fines	16,100	16,100	11,924	(4,176)
Investment Earnings	5,000	5,000	15,965	10,965
Other Revenue	-	15,420	2,743	(12,677)
Total Revenues	<u>727,129</u>	<u>853,308</u>	<u>1,071,632</u>	<u>218,324</u>
EXPENDITURES:				
Road & Bridge	582,011	757,911	779,825	(21,914)
Debt Service:				
Principal on Debt	127,571	127,571	292,404	(164,833)
Interest on Debt	35,649	35,649	39,060	(3,411)
Total Expenditures	<u>745,231</u>	<u>921,131</u>	<u>1,111,289</u>	<u>(190,158)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,102)</u>	<u>(67,823)</u>	<u>(39,657)</u>	<u>28,166</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	175,579	175,579
Noncurrent Loans	-	14,000	14,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,000</u>	<u>189,579</u>	<u>175,579</u>
Change in Fund Balance	(18,102)	(53,823)	149,922	203,745
Fund Balance - October 1 (Beginning)	<u>667,624</u>	<u>667,624</u>	<u>667,624</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 649,522</u>	<u>\$ 613,801</u>	<u>\$ 817,546</u>	<u>\$ 203,745</u>

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

MCCULLOCH COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
A. Total Pension Liability			
Service Cost	\$ 229,997	\$ 181,152	\$ 194,318
Interest (on the Total Pension Liability)	457,842	442,022	431,240
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	22,927	7,418	(23,110)
Changes of Assumptions	337,253	-	-
Benefit Payments, Including Refunds of Employee Contributions	(392,107)	(572,648)	(344,129)
Net Change in Total Pension Liability	\$ 655,912	\$ 57,944	\$ 258,319
Total Pension Liability - Beginning	5,614,607	5,556,663	5,298,344
Total Pension Liability - Ending	\$ 6,270,519	\$ 5,614,607	\$ 5,556,663
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 152,905	\$ 131,556	\$ 113,073
Contributions - Employee	152,905	131,556	113,073
Net Investment Income	627,447	902,922	(108,062)
Benefit Payments, Including Refunds of Employee Contributions	(392,106)	(572,648)	(344,128)
Administrative Expense	(4,836)	(4,630)	(4,415)
Other	(1,952)	(9,752)	(2,938)
Net Change in Plan Fiduciary Net Position	\$ 534,363	\$ 579,004	\$ (233,397)
Plan Fiduciary Net Position - Beginning	6,075,339	5,496,335	5,729,732
Plan Fiduciary Net Position - Ending	\$ 6,609,702	\$ 6,075,339	\$ 5,496,335
C. Net Pension Liability (Asset)	\$ (339,183)	\$ (460,732)	\$ 60,328
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.41%	108.21%	98.91%
E. Covered Payroll	\$ 2,184,363	\$ 1,879,366	\$ 1,615,332
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(15.53%)	(24.52%)	3.73%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	186,152	\$	199,000	\$	177,841	\$	161,983
	412,727		384,485		371,113		347,265
	-		-		(27,594)		-
	(81,744)		19,422		(73,629)		56,461
	36,936		-		53,432		-
	(323,628)		(361,306)		(307,312)		(276,740)
\$	230,443	\$	241,601	\$	193,851	\$	288,969
	5,067,901		4,826,300		4,632,449		4,343,480
\$	5,298,344	\$	5,067,901	\$	4,826,300	\$	4,632,449
\$	110,105	\$	103,981	\$	103,900	\$	94,570
	110,105		103,981		103,900		94,570
	742,201		359,990		(9,338)		322,177
	(323,628)		(361,306)		(307,312)		(276,740)
	(3,810)		(3,915)		(3,561)		(3,781)
	(1,421)		27,872		(49,120)		12,950
\$	633,552	\$	230,603	\$	(161,531)	\$	243,746
	5,096,181		4,865,578		5,027,109		4,783,364
\$	5,729,733	\$	5,096,181	\$	4,865,578	\$	5,027,110
\$	(431,389)	\$	(28,280)	\$	(39,278)	\$	(394,661)
	108.14%		100.56%		100.81%		108.52%
\$	1,572,931	\$	1,485,448	\$	1,484,285	\$	1,351,003
	(27.43%)		(1.90%)		(2.65%)		(29.21%)

MCCULLOCH COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2021

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2011	41,632	77,713	(36,081)	1,110,187	7.0%
2012	52,215	81,585	(29,370)	1,165,505	7.0%
2013	62,969	84,441	(21,472)	1,206,298	7.0%
2014	80,114	94,570	(14,456)	1,351,003	7.0%
2015	84,011	103,900	(19,889)	1,484,285	7.0%
2016	84,225	103,981	(19,756)	1,485,448	7.0%
2017	81,792	110,105	(28,313)	1,572,931	7.0%
2018	85,451	113,073	(27,622)	1,615,332	7.0%
2019	90,398	131,556	(41,159)	1,879,366	7.0%
2020	107,034	152,905	(45,871)	2,184,363	7.0%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

MCCULLOCH COUNTY
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2021

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	1.1 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, 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 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected.
	2017: New mortality assumptions were reflected.
	2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions.
	2016: Employer contributions reflect that a 10% CPI COLA was adopted.
	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
	2018: No changes in plan provisions were reflected in the Schedule.
	2019: No changes in plan provisions were reflected in the Schedule.
	2020: No changes in plan provisions were reflected in the Schedule.

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

SUPPLEMENTARY INFORMATION

MCCULLOCH COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Library Fund	Special Ad Valorem	Law Library
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 171,237	\$ 55,771
Taxes Receivable	-	423	-
Allowance for Uncollectible Taxes (credit)	-	(127)	-
Accounts Receivable, Net	-	84	280
Total Assets	<u>\$ -</u>	<u>\$ 171,617</u>	<u>\$ 56,051</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	296	-
Total Deferred Inflows of Resources	<u>-</u>	<u>296</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
Other Restricted Fund Balance	-	171,321	56,051
Assigned Fund Balance:			
Other Assigned Fund Balance	-	-	-
Total Fund Balances	<u>-</u>	<u>171,321</u>	<u>56,051</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 171,617</u>	<u>\$ 56,051</u>

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

Hot Check	Special Road Repairs	Archive Fees	Court Records Preservation	Courthouse Security	Pre-Trial Diversion	Records Management	Restoration and Preservation
\$ 4,856	\$ 891	\$ 97,794	\$ 13,065	\$ 83,314	\$ 67,233	\$ 94,664	\$ 11,861
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
210	-	-	-	-	-	-	-
<u>\$ 5,066</u>	<u>\$ 891</u>	<u>\$ 97,794</u>	<u>\$ 13,065</u>	<u>\$ 83,314</u>	<u>\$ 67,233</u>	<u>\$ 94,664</u>	<u>\$ 11,861</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,066	891	97,794	13,065	83,314	67,233	94,664	11,861
-	-	-	-	-	-	-	-
<u>5,066</u>	<u>891</u>	<u>97,794</u>	<u>13,065</u>	<u>83,314</u>	<u>67,233</u>	<u>94,664</u>	<u>11,861</u>
<u>\$ 5,066</u>	<u>\$ 891</u>	<u>\$ 97,794</u>	<u>\$ 13,065</u>	<u>\$ 83,314</u>	<u>\$ 67,233</u>	<u>\$ 94,664</u>	<u>\$ 11,861</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
ASSETS				
Cash and Cash Equivalents	\$ 66,735	\$ 4,813	\$ 22,000	\$ 7,400
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Accounts Receivable, Net	-	-	-	-
Total Assets	<u>\$ 66,735</u>	<u>\$ 4,813</u>	<u>\$ 22,000</u>	<u>\$ 7,400</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Other Restricted Fund Balance	66,735	4,813	22,000	7,400
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
Total Fund Balances	<u>66,735</u>	<u>4,813</u>	<u>22,000</u>	<u>7,400</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 66,735</u>	<u>\$ 4,813</u>	<u>\$ 22,000</u>	<u>\$ 7,400</u>

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

Salary Suppl Excess Co Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CERTZ Grant Fund	Court Reporter Fees	Specialty Court	Time Payment
\$ 3,557	\$ 23,886	\$ 912	\$ 371	\$ 1,804	\$ 3,480	\$ 454	\$ 157
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,557</u>	<u>\$ 23,886</u>	<u>\$ 912</u>	<u>\$ 371</u>	<u>\$ 1,804</u>	<u>\$ 3,480</u>	<u>\$ 454</u>	<u>\$ 157</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,557	23,886	912	371	1,804	3,480	454	157
-	-	-	-	-	-	-	-
<u>3,557</u>	<u>23,886</u>	<u>912</u>	<u>371</u>	<u>1,804</u>	<u>3,480</u>	<u>454</u>	<u>157</u>
<u>\$ 3,557</u>	<u>\$ 23,886</u>	<u>\$ 912</u>	<u>\$ 371</u>	<u>\$ 1,804</u>	<u>\$ 3,480</u>	<u>\$ 454</u>	<u>\$ 157</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Commissary Profit	Jury Reimbursement	Sheriff LEOSE Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 44,129	\$ 17	\$ 5,166	\$ 785,567
Taxes Receivable	-	-	-	423
Allowance for Uncollectible Taxes (credit)	-	-	-	(127)
Accounts Receivable, Net	-	-	-	574
Total Assets	<u>\$ 44,129</u>	<u>\$ 17</u>	<u>\$ 5,166</u>	<u>\$ 786,437</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	296
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>296</u>
FUND BALANCES				
Restricted Fund Balance:				
Other Restricted Fund Balance	44,129	17	5,166	786,141
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
Total Fund Balances	<u>44,129</u>	<u>17</u>	<u>5,166</u>	<u>786,141</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 44,129</u>	<u>\$ 17</u>	<u>\$ 5,166</u>	<u>\$ 786,437</u>

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

Permanent Improvement Fund	Total Nonmajor Governmental Funds
\$ 329,779	\$ 1,115,346
-	423
-	(127)
<u>368</u>	<u>942</u>
<u>\$ 330,147</u>	<u>\$ 1,116,584</u>
-	<u>296</u>
-	<u>296</u>
-	786,141
<u>330,147</u>	<u>330,147</u>
<u>330,147</u>	<u>1,116,288</u>
<u>\$ 330,147</u>	<u>\$ 1,116,584</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Library Fund	Special Ad Valorem	Law Library
REVENUES:			
Property Taxes	\$ -	\$ 19,862	\$ -
Penalty and Interest on Taxes	-	206	-
Charges for Services	-	-	-
Fines	-	-	4,465
Investment Earnings	2,328	1,224	399
Other Revenue	\$ 151	\$ -	\$ -
Total Revenues	2,479	21,292	4,864
EXPENDITURES:			
General Administrative	-	-	-
Judicial	-	-	-
Elections	-	-	-
Public Safety	-	-	-
Non-Departmental	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,479	21,292	4,864
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out	(353,772)	-	-
Total Other Financing Sources (Uses)	(353,772)	-	-
Net Change in Fund Balance	(351,293)	21,292	4,864
Fund Balance - October 1 (Beginning)	351,293	150,029	51,187
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ -	\$ 171,321	\$ 56,051

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

Hot Check	Special Road Repairs	Archive Fees	Court Records Preservation	Courthouse Security	Pre-Trial Diversion	Records Management	Restoration and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
512	-	22,913	1,964	5,680	5,616	-	-
-	-	-	-	-	-	-	-
35	7	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,357	\$ 748
547	7	22,913	1,964	5,680	5,616	22,357	748
-	-	177	-	1,165	-	-	13,875
-	-	-	-	-	9,673	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	177	-	1,165	9,673	-	13,875
547	7	22,736	1,964	4,515	(4,057)	22,357	(13,127)
-	-	-	-	-	2,492	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,492	-	-
547	7	22,736	1,964	4,515	(1,565)	22,357	(13,127)
4,519	884	75,058	11,101	78,799	68,798	72,307	24,988
-	-	-	-	-	-	-	-
\$ 5,066	\$ 891	\$ 97,794	\$ 13,065	\$ 83,314	\$ 67,233	\$ 94,664	\$ 11,861

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
REVENUES:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Charges for Services	4,028	60	-	-
Fines	-	-	-	-
Investment Earnings	-	-	-	-
Other Revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	4,028	60	-	-
EXPENDITURES:				
General Administrative	-	-	-	331
Judicial	2,112	-	-	-
Elections	-	-	-	-
Public Safety	-	-	-	-
Non-Departmental	-	-	-	-
Total Expenditures	2,112	-	-	331
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,916	60	-	(331)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	331
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	331
Net Change in Fund Balance	1,916	60	-	-
Fund Balance - October 1 (Beginning)	64,819	4,753	22,000	7,400
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 66,735	\$ 4,813	\$ 22,000	\$ 7,400

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

Salary Suppl Excess Co Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CERTZ Grant Fund	Court Reporter Fees	Specialty Court	Time Payment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	71	-	1,227	-	-
-	-	-	-	-	-	-	-
-	-	-	-	14	-	-	-
\$ 520	\$ 13,025	\$ 331	\$ -	\$ -	\$ -	\$ 454	\$ 157
520	13,025	331	71	14	1,227	454	157
-	-	-	-	-	-	-	-
-	-	-	-	-	371	-	-
-	18,365	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	18,365	-	-	-	371	-	-
520	(5,340)	331	71	14	856	454	157
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
520	(5,340)	331	71	14	856	454	157
3,037	29,226	581	300	1,790	2,624	-	-
-	-	-	-	-	-	-	-
\$ 3,557	\$ 23,886	\$ 912	\$ 371	\$ 1,804	\$ 3,480	\$ 454	\$ 157

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Commisary Profit	Jury Reimbursement	Sheriff LEOSE Fund	Total Nonmajor Special Revenue Funds
REVENUES:				
Property Taxes	\$ -	\$ -	\$ -	\$ 19,862
Penalty and Interest on Taxes	-	-	-	206
Charges for Services	-	-	932	43,003
Fines	-	-	-	4,465
Investment Earnings	218	-	36	4,261
Other Revenue	\$ 31,905	\$ 17	\$ -	\$ 69,665
Total Revenues	32,123	17	968	141,462
EXPENDITURES:				
General Administrative	-	-	-	15,548
Judicial	-	-	-	12,156
Elections	-	-	-	18,365
Public Safety	11,567	-	-	11,567
Non-Departmental	-	-	-	-
Total Expenditures	11,567	-	-	57,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,556	17	968	83,826
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	2,823
Transfers Out	-	-	-	(353,772)
Total Other Financing Sources (Uses)	-	-	-	(350,949)
Net Change in Fund Balance	20,556	17	968	(267,123)
Fund Balance - October 1 (Beginning)	-	-	-	1,025,493
Prior Period Adjustment	23,573	-	4,198	27,771
Fund Balance - September 30 (Ending)	\$ 44,129	\$ 17	\$ 5,166	\$ 786,141

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

Permanent Improvement Fund	Total Nonmajor Governmental Funds
\$ 91,063	\$ 110,925
-	206
-	43,003
-	4,465
2,260	6,521
\$ -	\$ 69,665
<u>93,323</u>	<u>234,785</u>
-	15,548
-	12,156
-	18,365
-	11,567
7,362	7,362
<u>7,362</u>	<u>64,998</u>
<u>85,961</u>	<u>169,787</u>
-	2,823
-	(353,772)
-	(350,949)
85,961	(181,162)
244,186	1,269,679
-	27,771
<u>\$ 330,147</u>	<u>\$ 1,116,288</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 SEPTEMBER 30, 2021

	State Trust Fund	Prosecutor's Collection	Richards Memorial Library	Justice of the Peace	DREAM
ASSETS					
Cash and Cash Equivalents	\$ 50,822	\$ 6,520	\$ 1,654	\$ 10,153	\$ 1,612
Accounts Receivable, Net	6,949	-	-	-	-
Total Assets	<u>\$ 57,771</u>	<u>\$ 6,520</u>	<u>\$ 1,654</u>	<u>\$ 10,153</u>	<u>\$ 1,612</u>
LIABILITIES					
Intergovernmental Payable	\$ 57,641	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ 57,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Restricted for Other Purposes	130	6,520	1,654	10,153	1,612
Total Net Position	<u>\$ 130</u>	<u>\$ 6,520</u>	<u>\$ 1,654</u>	<u>\$ 10,153</u>	<u>\$ 1,612</u>

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

Tax Assessor/ Collector	Tax Assessor/ Collector Chapter 19	District Clerk Excess Tax	District Clerk	District Clerk Trust	County Clerk Escrow	County Clerk Fees	County Clerk Trust
\$ 92,683	\$ 4	\$ 97,087	\$ 9,290	\$ 108,775	\$ 23,473	\$ 11,527	\$ 142
-	-	-	-	-	-	-	-
<u>92,683</u>	<u>4</u>	<u>97,087</u>	<u>9,290</u>	<u>108,775</u>	<u>23,473</u>	<u>11,527</u>	<u>142</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>92,683</u>	<u>4</u>	<u>97,087</u>	<u>9,290</u>	<u>108,775</u>	<u>23,473</u>	<u>11,527</u>	<u>142</u>
<u>\$ 92,683</u>	<u>\$ 4</u>	<u>\$ 97,087</u>	<u>\$ 9,290</u>	<u>\$ 108,775</u>	<u>\$ 23,473</u>	<u>\$ 11,527</u>	<u>\$ 142</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 SEPTEMBER 30, 2021

EXHIBITH-3

	County Clerk Trust Escrow		Sheriff's Department	Inmate Trust	Total Custodial Funds
ASSETS					
Cash and Cash Equivalents	\$	28,000	\$ 5,238	\$ 52,520	\$ 499,500
Accounts Receivable, Net		-	-	-	6,949
Total Assets		<u>28,000</u>	<u>5,238</u>	<u>52,520</u>	<u>506,449</u>
LIABILITIES					
Intergovernmental Payable	\$	-	\$ -	\$ -	\$ 57,641
Total Liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>57,641</u>
NET POSITION					
Restricted for Other Purposes		28,000	5,238	52,520	448,808
Total Net Position	\$	<u>28,000</u>	<u>\$ 5,238</u>	<u>\$ 52,520</u>	<u>\$ 448,808</u>

MCCULLOCH COUNTY, TEXAS
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	State Trust Fund	Prosecutor's Collection	Richards Memorial Library	Justice of the Peace	DREAM
ADDITIONS:					
Investment Earnings	\$ -	\$ -	\$ -	\$ -	12
Contributions & Donations from Private Sources	-	-	4,678	-	-
Other Revenue	229,969	9,206	-	443,497	-
Total Additions	<u>229,969</u>	<u>9,206</u>	<u>4,678</u>	<u>443,497</u>	<u>12</u>
DEDUCTIONS:					
Other Operating Costs	229,839	5,599	4,389	448,579	-
Total Deductions	<u>229,839</u>	<u>5,599</u>	<u>4,389</u>	<u>448,579</u>	<u>-</u>
Change in Net Position	130	3,607	289	(5,082)	12
Net Position- October 1 (Beginning)	-	-	-	-	-
Prior Period Adjustment	-	2,913	1,365	15,235	1,600
Net Position - September 30 (Ending)	<u>\$ 130</u>	<u>\$ 6,520</u>	<u>\$ 1,654</u>	<u>\$ 10,153</u>	<u>\$ 1,612</u>

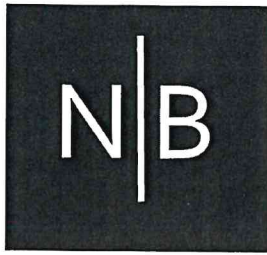
The notes to the financial statements are an integral part of this statement.

Tax Assessor/ Collector	Tax Assessor/ Collector Chapter 19	District Clerk Excess Tax	District Clerk	District Clerk Trust	County Clerk Escrow	County Clerk Fees	County Clerk Trust
\$ -	\$ -	\$ -	\$ -	\$ 442	\$ 175	\$ -	\$ -
-	-	-	-	-	-	-	-
1,988,405	1,126	119,787	148,500	-	-	141,414	-
<u>1,988,405</u>	<u>1,126</u>	<u>119,787</u>	<u>148,500</u>	<u>442</u>	<u>175</u>	<u>141,414</u>	<u>-</u>
2,005,619	1,126	104,017	150,027	12,060	-	147,947	-
<u>2,005,619</u>	<u>1,126</u>	<u>104,017</u>	<u>150,027</u>	<u>12,060</u>	<u>-</u>	<u>147,947</u>	<u>-</u>
(17,214)	-	15,770	(1,527)	(11,618)	175	(6,533)	-
-	-	-	-	-	-	-	-
109,897	4	81,317	10,817	120,393	23,298	18,060	142
<u>\$ 92,683</u>	<u>\$ 4</u>	<u>\$ 97,087</u>	<u>\$ 9,290</u>	<u>\$ 108,775</u>	<u>\$ 23,473</u>	<u>\$ 11,527</u>	<u>\$ 142</u>

MCCULLOCH COUNTY, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS AND FUND BALANCE
 YEAR ENDED SEPTEMBER 30, 2021

	County			Total
	Clerk	Sheriff's	Inmate	Custodial
	Trust	Department	Trust	Funds
ADDITIONS:				
Investment Earnings	\$ -	\$ -	\$ -	\$ 629
Contributions & Donations from Private Sources	-	-	-	4,678
Other Revenue	4,500	58,530	138,656	3,283,590
Total Additions	4,500	58,530	138,656	3,288,897
DEDUCTIONS:				
Other Operating Costs	500	63,092	112,619	3,285,413
Total Deductions	500	63,092	112,619	3,285,413
Change in Net Position	4,000	(4,562)	26,037	3,484
Net Position- October 1 (Beginning)	-	-	-	-
Prior Period Adjustment	24,000	9,800	26,483	445,324
Net Position - September 30 (Ending)	\$ 28,000	\$ 5,238	\$ 52,520	\$ 448,808

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



NEFFENDORF & BLOCKER, P.C.

April 11, 2022

Honorable Judge and County Commissioners
County of McCulloch
Brady, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of McCulloch, Texas for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of McCulloch, Texas are described in Note 1 to the financial statements. GASB Statement No. 84 *Accounting and Reporting for Fiduciary Activities* was adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the County of McCulloch, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 11, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of McCulloch's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of McCulloch's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of changes in net pension liability and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting record used to prepare the financial statements.

Recommendations

Grants Manual

Since the County receives grants from both state and federal sources, we recommend that the County adopt a grants manual to establish written internal controls and processes over accounting for grants and compliance.

Capitalization Policy

We recommend the County adopt a capitalization policy to provide a dollar limit on what is to be capitalized (i.e., items purchased over \$1,000 or \$5,000).

County Clerk

The County Clerk did not timely remit money for collected for the month of April 2021 (remitted June 2021) to the County Treasurer. We recommend the County Clerk timely remit money to the County Treasurer to ensure the County's timely filing of state quarterly reports.

General Ledger

During the audit period the County did not maintain separate funds in the general ledger. This resulted in delays in determining the fund balances for financial reporting. The County has converted to another software for this current fiscal year. Recording separate funds in the general ledger should improve financial reporting and budgeting.

Restriction on Use

This information is intended solely for the use of the Commissioner's Court and management of County of McCulloch and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas