

MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2020



Lowvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

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MC MULLEN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2020

COMMISSIONERS COURT

James E. Teal
Larry Garcia
Murray Swaim
Scotty McClaugherty
Max Quintanilla

County Judge
Commissioner, Precinct No. 1
Commissioner, Precinct No. 2
Commissioner, Precinct No. 3
Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS

Mattie Sadovsky
Bessie Guerrero
Jill Atkinson
Debora Garza
Emmett Shelton
Kimberly Kreider-Dusek
Vacant

District/County Clerk
Tax Assessor/Collector
Treasurer
Justice of the Peace
Sheriff
County Attorney
Constable

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FINANCIAL SECTION

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Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
and County Commissioners
McMullen County, Texas

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 McMullen County, Texas as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County, Texas as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 15, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions, on pages 4-11 and 48-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMullen County, Texas' basic financial statements. The introductory

section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022, on our consideration of McMullen County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 McMullen County, Texas' internal control over financial reporting and compliance.

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
April 27, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MC MULLEN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

This discussion and analysis of McMullen County, Texas' (County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2020. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Net Position The assets and deferred outflows of resources of McMullen County, Texas exceeded its liabilities and deferred inflows of resources at December 31, 2020 by \$44,672,089 (presented as "net position"). Of this amount \$28,931,079 was reported as "unrestricted net position." Unrestricted net position represents the amount not restricted by parties outside the County.

Changes in Net Position The County's total net position increased by \$8,354,015 (a 23% increase) in fiscal year 2020. The County only had governmental activities during the 2020 year.

Long-term Liabilities During 2018, the County issued \$9,000,000 Tax Notes, Series 2018 for various construction and renovation projects and for acquisition of certain equipment. The Tax Notes carry an interest rate of 3.01% and mature February 15, 2025.

Fund Highlights: Governmental Funds – Fund Balances As of the close of fiscal year 2020, the County's governmental funds reported a combined ending fund balance of \$32,982,754 which was an increase of \$4,376,821 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$12,222,397 equal to 73% of total general fund expenditures including transfers to other funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County

from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure), deferred outflows of resources, as well as all liabilities (including long-term debt) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The County maintains nineteen individual governmental funds (excluding fiduciary funds): sixteen special revenue funds, one debt service fund, one construction fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Road and Bridge Fund, and the Capital Projects Tax Notes Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget as a management control device during the year for the General Fund, and for the Road and Bridge Fund. The Required Supplementary Information includes a budgetary comparison schedule (original versus final) for the General Fund and the Road and Bridge Fund to demonstrate compliance with budget.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning general fund and major special revenue budgetary schedules and pension plan funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County's total assets of \$69,443,206 the largest components are: 1) cash and cash equivalents of \$35,294,400 or 51%, 2) capital assets net of accumulated depreciation of \$18,959,581 or 27%, and 3) receivables which largely represent the unavailable taxes for FY2019 of \$15,189,225 or 22%. The receivables are offset by deferred inflows of resources: unearned 2020 tax revenues and advanced tax collections, since the FY2020 tax revenue is not recognized until FY2021 even though the levy takes place in FY2020. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Liabilities consist of current liabilities of \$998,342 and noncurrent liabilities of \$8,302,299.

(Continued)

The County's net position for fiscal years ended December 31, 2020 and 2019 are summarized as follows:

	Governmental Activities		
	2020	2019*	Total Percentage Change 2020-2019
Current and other assets	50,483,625	46,631,019	8%
Capital assets (net of depreciation)	18,959,581	16,318,037	16%
Total assets	<u>69,443,206</u>	<u>62,949,056</u>	10%
Deferred outflows of resources	638,266	1,030,892	-38%
Current and other liabilities	998,342	731,064	37%
Long-term liabilities	8,302,299	10,262,766	-19%
Total liabilities	<u>9,300,641</u>	<u>10,993,830</u>	-15%
Deferred inflows of resources	16,108,742	16,668,044	-3%
Net position:			
Net investment in capital assets	15,277,383	13,532,987	13%
Restricted	463,627	452,676	2%
Unrestricted	28,931,079	22,332,411	30%
Total net position	<u><u>44,672,089</u></u>	<u><u>36,318,074</u></u>	23%

*Restated.

Net Position – Net position may serve over time as a useful indicator of a County government's financial position. McMullen County, Texas' combined net position (government activities) totaled \$44,672,089 at the end of fiscal year 2020 compared to \$36,318,074 at the end of the previous year.

Of the County's total net position, (34%) reflects its investment in capital assets such as land, buildings, major improvements, equipment, and infrastructure (road and bridges), less any related debt used to acquire those assets that is still outstanding. McMullen County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities increased the County's net position by \$8,354,015. The key components of this change are the following:

McMullen County, Texas' Changes in Net Position

	Governmental Activities		Total Percentage Change 2020-2019
	2020	2019*	
Revenues:			
Net Program revenues:			
Charges for services	1,347,639	998,676	35%
Operating grants and contributions	490,215	326,023	50%
Capital grants and contributions	-	-	0%
General revenues:			
Property taxes	17,496,729	14,363,150	22%
Investment earnings	795,054	644,282	23%
Miscellaneous	224,516	1,093,326	-79%
Total revenues	<u>20,354,153</u>	<u>17,425,457</u>	17%
Expenses:			
General Administration	2,257,851	810,572	179%
Judicial	640,384	707,353	-9%
Elections	119,553	83,986	42%
Financial Administration	539,122	888,228	-39%
Public Facilities	732,148	549,899	33%
Public Safety	2,745,004	2,822,256	-3%
Environmental Protection	1,306,269	1,271,821	3%
Public Transportation	2,990,155	3,251,044	-8%
Health and Welfare	81,102	217,303	-63%
Culture and Recreation	211,573	2,762	7560%
Conservation	163,003	149,476	9%
Interest and fiscal charges on debt	213,974	252,785	-15%
Total expenses	<u>12,000,138</u>	<u>11,007,485</u>	9.0%
Change in net position	8,354,015	6,417,972	30%
Net position--beginning (Restated)	<u>36,318,074</u>	<u>29,900,102</u>	21%
Net position--ending	<u><u>44,672,089</u></u>	<u><u>36,318,074</u></u>	23%

*Restated.

Program revenues and expenses are presented net of interfund eliminations.

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$1,837,854 equaled 15% of government expenses of \$12,000,138. As expected, general revenues (\$18,516,299) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$2,990,155), while this category provided about 1% of total revenues of \$141,287.
- The next largest category of expenses is Public Safety (\$2,745,004) with \$682,974 in revenues, or about 3% of total revenues.
- General Administration expenses were \$2,257,851, with revenues of \$80,083 or about 0.4% of total revenues.
- Grant revenues and contributions comprised about 2% of revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$32,982,754, an increase of \$4,376,821 in comparison with the prior year. Approximately \$12,221,624 or 37% of the fund balance represents *unassigned fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,222,397 while total fund balance reached \$12,365,108, an increase of \$2,965,170 from the previous year, due primarily to an increase in tax revenues. As a measure of the general fund's liquidity, we compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 73% of total fund expenditures and transfers out.

General Fund Budgetary Highlights (Non-GAAP Budgetary Basis)

For FY2020, actual expenditures were \$9,100,916 compared to the budget amount of \$14,245,618.

For FY2020, actual revenues were \$19,615,523 as compared to the budget amount of \$16,104,533.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2020 the County had \$27,618,748 invested in capital assets, including land, park and recreation facilities, buildings, roads, bridges and equipment. This amount represents a net increase (additions, deductions, and depreciation) of \$2,641,545, or 16% more than last year.

Capital Assets at Year-End

	Governmental Activities		
	2020	2019*	Total Percentage Change 2020-2019
Land	1,575,056	1,575,056	0%
Buildings and Improvements	3,766,504	3,766,505	0%
Equipment and Vehicles	7,253,336	6,767,661	7%
Infrastructure	9,569,566	9,569,566	0%
Construction in Progress	5,454,286	3,195,698	71%
Subtotal	27,618,748	24,874,486	11%
Accumulated depreciation	(8,659,167)	(8,556,450)	1%
Capital assets, net	18,959,581	16,318,036	16%

*Restated.

Long-term Liabilities

On October 11, 2018, the County issued \$9,000,000 in Tax Notes, Series 2018 for the purpose of street and drainage improvements, various construction projects, various renovations, and for the acquisition of certain equipment. Outstanding debt on these obligations was \$6,950,000 at December 31, 2020. This was a decrease of \$1,270,000 or a 15% decrease compared to last year.

Long-term Obligations at Year-End

	<u>Governmental Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Tax Notes, Series 2018	6,950,000	8,220,000	(1,270,000)
Compensated Absences	68,733	42,332	26,401
Net Pension Liability	<u>1,352,299</u>	<u>2,042,766</u>	<u>(690,467)</u>
Totals	<u>8,371,032</u>	<u>10,305,098</u>	<u>(1,934,066)</u>

ECONOMIC CONDITION AND OUTLOOK

The County is in good financial condition as of December 31, 2020, and has adequate cash and cash equivalents to finance the 2021 County Budget. The position of the County has continued to be sound over the past year. Some of the factors which enabled the County to maintain this constant level were that all departments and agencies operated within the budget appropriations and Ad Valorem taxes were collected at a high percent.

Looking ahead, McMullen County, Texas will have to endure some years of careful operation and planning. Major improvements need to be made on county roads and public utilities due to the phenomenal increase in oil and gas activity within the county. Future budgets will present a challenge to maintain the County's record of financial stability and growth that has been routine for so long, until the taxes on increased valuations are collected.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors 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 any additional financial information, contact the County Treasurer's Office at P.O. Box 37, Tilden, Texas 78072.

BASIC FINANCIAL STATEMENTS

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**MC MULLEN COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Exhibit 1

ASSETS	
Cash and Cash Equivalents	35,294,400
Receivables	
Taxes Receivable, Net	12,444,895
Grant Receivable	107,437
Due from Others	2,039,739
Fines Receivable, Net	597,154
Capital Assets	
Land	1,575,056
Buildings and Improvements	3,766,505
Equipment and Vehicles	7,253,335
Infrastructure	9,569,566
Construction In Progress	5,454,286
Less Accumulated Depreciation	(8,659,167)
TOTAL ASSETS	<u><u>69,443,206</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	638,266
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>638,266</u></u>
LIABILITIES	
Accounts Payable	689,614
Accrued Interest	78,448
Accrued Wages	161,547
Compensated Absences	68,733
Noncurrent Liabilities	
Due Within One Year	1,310,000
Due in More Than One Year	5,640,000
Net Pension Liability	1,352,299
TOTAL LIABILITIES	<u><u>9,300,641</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Property Taxes	12,274,560
Advanced Tax Collections	3,607,661
Deferred Inflow Related to Pensions	226,521
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>16,108,742</u></u>
NET POSITION	
Net Investment In Capital Assets	15,277,383
Restricted For:	
Law Enforcement	206,167
Alternate Dispute Resolution	3,600
Landfill	142,711
Security	7,232
Abandoned Vehicles	99,272
Other	4,645
Unrestricted	28,931,079
TOTAL NET POSITION	<u><u>44,672,089</u></u>

The accompanying notes are an integral part of this statement.

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

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Administration	2,257,851	80,083	-	-
Judicial	640,384	741,757	-	-
Elections	119,553	-	-	-
Financial	539,122	191,753	-	-
Public Facilities	732,148	-	-	-
Public Safety	2,745,004	247,160	435,814	-
Environmental Protection	1,306,269	-	-	-
Public Transportation	2,990,155	86,886	54,401	-
Health and Welfare	81,102	-	-	-
Culture and Recreation	211,573	-	-	-
Conservation	163,003	-	-	-
Interest and Fiscal Charges on Debt	213,974	-	-	-
Total Governmental Activities	12,000,138	1,347,639	490,215	-

General Revenues
Property Taxes
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position
Net Position-Beginning (Restated)
Net Position-Ending

The accompanying notes are an integral part of this statement.

Exhibit 2

Net (Expense)
Revenue and
Changes in Net Position

Governmental
Activities

(2,177,768)
101,373
(119,553)
(347,369)
(732,148)
(2,062,030)
(1,306,269)
(2,848,868)
(81,102)
(211,573)
(163,003)
(213,974)

(10,162,284)

17,496,729
795,054
224,516

18,516,299

8,354,015
36,318,074

44,672,089

**MC MULLEN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
ASSETS		
Cash and Cash Equivalents	14,185,278	17,352,991
Receivables		
Taxes Receivable, Net	12,444,895	-
Grant Receivable	100,257	7,180
Due From County Officials	2,009,909	4,966
Due From Other Funds	-	6,344
TOTAL ASSETS	<u><u>28,740,339</u></u>	<u><u>17,371,481</u></u>
LIABILITIES		
Accounts Payable	181,234	320,365
Accrued Wages	135,097	26,450
Due to Other Funds	6,344	-
Total Liabilities	<u><u>322,675</u></u>	<u><u>346,815</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Property Taxes	170,335	-
Deferred Revenues - Property Taxes	12,274,560	-
Advanced Tax Collections	3,607,661	-
Total Deferred Inflows of Resources	<u><u>16,052,556</u></u>	<u><u>-</u></u>
FUND BALANCES		
Restricted	142,711	-
Committed	-	17,024,666
Unassigned	12,222,397	-
Total Fund Balances	<u><u>12,365,108</u></u>	<u><u>17,024,666</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>28,740,339</u></u>	<u><u>17,371,481</u></u>

The accompanying notes are an integral part of this statement.

Exhibit 3

CAPITAL PROJECTS TAX NOTES FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
3,455,011	301,120	35,294,400
-	-	12,444,895
-	-	107,437
-	24,864	2,039,739
-	-	6,344
<u>3,455,011</u>	<u>325,984</u>	<u>49,892,815</u>
187,209	806	689,614
-	-	161,547
-	-	6,344
<u>187,209</u>	<u>806</u>	<u>857,505</u>
-	-	170,335
-	-	12,274,560
-	-	3,607,661
-	-	<u>16,052,556</u>
3,267,802	320,916	3,731,429
-	5,035	17,029,701
-	(773)	12,221,624
<u>3,267,802</u>	<u>325,178</u>	<u>32,982,754</u>
<u>3,455,011</u>	<u>325,984</u>	<u>49,892,815</u>

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

Exhibit 3-R

Total fund balance - total governmental funds	32,982,754
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,959,581
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	170,335
Accrued interest on bonds	(78,448)
Other long-term liabilities which are not due in the current period are not reported in the funds	(68,733)
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,950,000)
Fines receivable, net of allowances for uncollectibles	597,154
Recognition of County's proportionate share of the net pension asset (liability) is not reported in the funds.	(1,352,299)
Deferred resource outflows related to pension are not reported in the funds.	638,266
Deferred resource inflows related to pension are not reported in the funds.	(226,521)
Net position of governmental activities - statement of net position	<u><u>44,672,089</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
REVENUES		
Taxes	17,494,607	-
Licenses and Permits	-	86,886
Intergovernmental	435,814	54,401
Fees	808,435	-
Fines and Forfeitures	392,379	-
Interest Income	284,058	359,900
Other	200,230	10,440
Total Revenues	<u>19,615,523</u>	<u>511,627</u>
EXPENDITURES		
Current		
General Administration	2,240,661	-
Judicial	627,723	-
Elections	162,690	-
Financial Administration	529,492	-
Public Facilities	543,158	-
Public Safety	2,868,323	-
Environmental Protection	1,672,298	-
Public Transportation	2,418	3,061,548
Culture and Recreation	210,649	-
Health and Welfare	83,150	-
Conservation	160,354	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>9,100,916</u>	<u>3,061,548</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,514,607</u>	<u>(2,549,921)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	35,000	6,000,000
Transfers Out	(7,584,437)	-
Total Other Financing Sources (Uses)	<u>(7,549,437)</u>	<u>6,000,000</u>
Net Change in Fund Balances	2,965,170	3,450,079
Fund Balances at Beginning of Year(Restated)	<u>9,399,938</u>	<u>13,574,587</u>
Fund Balances at End of Year	<u>12,365,108</u>	<u>17,024,666</u>

The accompanying notes are an integral part of this statement.

Exhibit 4

CAPITAL PROJECTS TAX NOTES FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	17,494,607
-	-	86,886
-	-	490,215
-	47,071	855,506
-	45,207	437,586
142,696	8,400	795,054
-	13,846	224,516
<u>142,696</u>	<u>114,524</u>	<u>20,384,370</u>
44,920	-	2,285,581
-	-	627,723
-	-	162,690
-	-	529,492
-	-	543,158
820,196	36,932	3,725,451
360,073	-	2,032,371
635,085	-	3,699,051
449,570	-	660,219
-	-	83,150
-	-	160,354
-	1,270,000	1,270,000
-	228,309	228,309
<u>2,309,844</u>	<u>1,535,241</u>	<u>16,007,549</u>
<u>(2,167,148)</u>	<u>(1,420,717)</u>	<u>4,376,821</u>
-	1,584,437	7,619,437
-	(35,000)	(7,619,437)
<u>-</u>	<u>1,549,437</u>	<u>-</u>
(2,167,148)	128,720	4,376,821
5,434,950	196,458	28,605,933
<u>3,267,802</u>	<u>325,178</u>	<u>32,982,754</u>

**MC MULLEN COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Exhibit 4-R

Net change in fund balance - total governmental funds	4,376,821
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	3,395,334
The depreciation of capital assets used in governmental activities is not reported in the funds.	(753,789)
Loss on disposal of capital assets	-
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,122
Change in fines receivable	(32,341)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,270,000
(Increase) decrease in accrued interest from beginning of period to end of period	14,335
The (increase) decrease in compensated absences liability does not require the use of current financial resources but is recorded as a decrease in expenses in the statement of activities.	(26,401)
Some pension expenses do not require the use of current financial resources and are therefore not reported as expenditures in the funds.	107,934
Change in net assets of governmental activities - statement of activities	<u><u>8,354,015</u></u>

The accompanying notes are an integral part of this statement.

MC MULLEN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2020

Exhibit 5

ASSETS	
Cash and Cash Equivalents	12,789,365
Due From Other Funds	-
Due From Other Governments	-
Total Assets	<u>12,789,365</u>
LIABILITIES	
Accounts Payable	-
Due to Others	3,520,937
Total Liabilities	<u>3,520,937</u>
NET POSITION	
Restricted for individuals or organizations	<u>9,268,428</u>
Total Net Position	<u><u>9,268,428</u></u>

The accompanying notes are an integral part of this statement.

**MC MULLEN COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR DECEMBER 31, 2020**

Exhibit 6

ADDITIONS

Contributions:

From other governments	6,090
From individuals	1,975,565
Investment interest	208,933
Taxes and fees collected for other governments	48,484,208
Miscellaneous	-

Total Additions	<u>50,674,796</u>
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DEDUCTIONS

Recipient payments	49,500,639
Administrative expenses	-
Public safety	22,893

Total Deductions	<u>49,523,532</u>
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Net increase (decrease) in fiduciary net position	1,151,264
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Net position - beginning, restated	<u>8,117,164</u>
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Net position - ending	<u><u>9,268,428</u></u>
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The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

McMullen County, Texas (the County) was organized in 1873. The County operates using a commission form of government under the statutes and the Constitution of the State of Texas. The County (government) provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

The financial statements of McMullen County, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include all the funds and account groups of the County. There are no component units applicable to the County. Therefore, the primary government (McMullen County) is the same as the reporting entity. The County is not a component unit of any other entity.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the County. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County had no business-type activities in 2020.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The County segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. The County had no proprietary activities in 2020.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The County has presented the following major governmental funds:

General Fund –

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

Road and Bridge Fund –

The Road and Bridge Fund is a special revenue fund that accounts for current funds used for the purpose of constructing and maintaining roads and bridges.

Capital Projects Tax Notes Fund –

Capital Projects Tax Notes Fund is used to account for various construction and renovation projects and also acquisition of certain equipment paid for by tax note proceeds.

Additionally, the County reports the following fund types:

Fiduciary Fund Types

Custodial Funds –

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

C. **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflows of resources. Property taxes which were levied in September, 2020, and became due October 1, 2020 have been assessed to finance the budget of the fiscal year beginning January 1, 2021 and, accordingly, have been reflected as taxes receivable, and deferred inflows of resources: deferred revenues-property taxes, and advanced tax collections in the fund financial statements at December 31, 2020.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

D. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year end are either canceled or appropriations are provided for in the subsequent year's budget.

E. Investments

The County can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The County has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the County's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

F. Prepaid Items

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

G. Inventories

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Inventory at year end is immaterial.

H. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50	Years
Building Improvements	25	Years
System Infrastructure	50	Years
Vehicles	5	Years
Office Equipment	5	Years
Computer Equipment	5	Years

J. Compensated Absences

It is the County's policy to permit regular full-time employees to accumulate earned but unused vacation and sick pay benefits. A liability for unused vacation leave for regular full-time employees is calculated and reported in the government-wide financial statements. Full-time employees earn vacation monthly at 9 hours per monthly pay period. Full-time Sheriff Deputies receive 9.5 hours per month. Full-time employees who have worked for 10 or more years in a position are eligible to receive vacation at 12 hours per month, beginning on their anniversary date. Full-time Sheriff Deputies who have worked for 10 or more years in a position will receive 13 hours per month, beginning on their anniversary date. Vacation time not taken by the end of the calendar year is carried over to the next year, with a maximum carry-over of 80 hours. All regular full-time employees can accrue up to 480 hours of sick leave. There is no liability for unpaid accumulated sick leave, since the County does not have a policy to pay any amounts when employees separate from service with the County. Therefore, no liability for sick leave is reported in government-wide financial statements.

K. Net Position and Fund Equity

In the government-wide financial statements, net position is reported in three categories: net position invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net position invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the County (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Commissioners Court, the County's highest level of decision-making authority: Committed amounts cannot be used for any other purpose unless the Commissioners Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

by the Commissioners Court. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

L. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

M. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Noted	Not Applicable

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Court Technology Special Revenue Fund	(\$773)	Deficit will be eliminated in FYE 2021

N. Accounting Pronouncements

GASB Statement No. 87, *Leases* ("GASB 87"), requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be implemented by the County in fiscal year 2022 and the impact has not yet been determined.

The GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. GASB 89 will be implemented by the County in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The County will assess and implement this Statement where necessary in fiscal year 2022.

GASB Statement No. 92, *Omnibus 2020* – ("GASB 92"), objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the County in fiscal year 2022 and the impact has not yet been determined.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – (“GASB 93”), some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most noticeably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented by the County in fiscal year 2022 and the impact has not yet been determined.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, - which is when the subscription asset is placed into service. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements that limit the applicability of fiduciary activity rules to defined contributions plans, are effective immediately. The requirements related to accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

2. CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

A. Authorized Investments

The County is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

B. Deposits and Investments

Cash and Deposits are as follows:

Cash and Deposits	
	2020
Bank Deposits	
Demand Deposits	43,747,036
Non-negotiable Certificate of Deposit	142,711
Cash and Cash Equivalents	
Petty Cash on Hand	3,425
Total Cash and Deposits	43,893,172

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

During the year ended December 31, 2020, deposits were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Reconciliation of Deposits and Investments

<u>Type of Security</u>	<u>Market Value December 31, 2020</u>
Investments	
Negotiable Certificates of Deposit	2,960,907
Money Market	<u>1,229,686</u>
 Total Investments	 4,190,593
Total Cash and Deposits	<u>43,893,172</u>
Total Deposits and Investments	<u><u>48,083,765</u></u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 to 3</u>	<u>4 to 5</u>
Certificates of Deposit	2,960,907	2,960,907	-	-
Money Market	<u>1,229,686</u>	<u>1,229,686</u>	-	-
 Total Fair Value	 <u><u>4,190,593</u></u>	 <u><u>4,190,593</u></u>	 -	 -

Interest Rate Risk – In accordance with state law and County policy, the County does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the County's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Concentration of Credit Risk – The County does not place a limit on the amount the County may invest in any one issuer. The County does not have a concentration of credit risk.

Custodial Credit Risk – For an investment, custodial credit risk 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 does not have a custodial credit risk.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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C. Fair Value Measurements

McMullen County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

McMullen County has the following recurring fair value measurements as of August 31:

Investment Type	12/31/2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of Deposit	2,960,907	-	2,960,907	-
Total Fair Value	2,960,907	-	2,960,907	-

3. CAPITAL ASSETS

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

	Balance January 1*	Additions/ Completions	Retirements/ Adjustments	Balance December 31
Governmental Activities:				
Capital assets, not being depreciated:				
Land	1,575,056	-	-	1,575,056
Construction in Progress	3,195,698	2,258,588	-	5,454,286
Total capital assets, not being depreciated	4,770,754	2,258,588	-	7,029,342
Capital assets, being depreciated:				
Buildings and Improvements	3,766,504	-	-	3,766,504
Machinery, Equipment and Vehicles	6,845,723	1,136,746	(729,133)	7,253,335
Infrastructure	9,569,566	-	-	9,569,566
Total capital assets, being depreciated	20,181,793	1,136,746	(729,133)	20,589,406
Less accumulated depreciation for:				
Buildings and Improvements	(768,634)	(74,874)	-	(843,508)
Machinery, Equipment and Vehicles	(6,063,571)	(492,435)	729,133	(5,826,873)
Infrastructure	(1,802,303)	(186,481)	-	(1,988,785)
Total accumulated depreciation	(8,634,510)	(753,789)	729,133	(8,659,167)
Total capital assets, being depreciated, net	11,547,282	382,957	-	11,930,239
Governmental activities capital assets, net	16,318,036	2,641,545	-	18,959,581

*Restated.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the County for the 2020 year as follows:

Governmental Activities:

General Administration	54,139
Elections	10,850
Public Facilities	190,545
Public Safety	236,037
Environmental Protection	95,922
Public Transportation	139,686
Health and Welfare	25,686
Culture and Recreation	924
Conservation - Agriculture	-
Total Depreciation Expense	<u><u>753,789</u></u>

4. LONG-TERM LIABILITIES

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 1/1/20	Issued	Retired	Amounts Outstanding 12/31/20	Amounts Due Within One Year
Governmental Activities:							
Tax Notes, Series 2018	3.010%	9,000,000	8,220,000	-	1,270,000	6,950,000	1,310,000
Other Liabilities:							
Compensated Absences			42,332	68,733	42,332	68,733	68,733
Net Pension Liability			2,042,766	1,296,294	1,986,761	1,352,299	-
Total Governmental Activities:							
Long-term Liabilities			<u>10,305,098</u>	<u>1,365,027</u>	<u>3,299,093</u>	<u>8,371,032</u>	<u>1,378,733</u>

Tax Note debt will be paid as follows:

Semi-annually, the General Fund will transfer funds to the Debt Service Fund, which will then make the debt payments that are due. Compensated absences are paid by the General Fund and the Road and Bridge Fund. The net pension liability will be paid by the General Fund.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

The annual requirements for notes for years subsequent to December 31, 2020, are as follows:

Year Ending December 31	Governmental Activities Tax Notes, Series 2018		
	Principal	Interest	Total
2021	1,310,000	189,480	1,499,480
2022	1,345,000	149,522	1,494,522
2023	1,390,000	108,360	1,498,360
2024	1,430,000	65,918	1,495,918
2025	1,475,000	22,199	1,497,199
TOTALS	6,950,000	535,479	7,485,479

Defeased Debt Outstanding –

The County had no defeased debt outstanding at December 31, 2020.

5. PROPERTY TAXES

Levy and Collection –

Taxes levied by the County are levied and collected through the offices of the McMullen County Tax Assessor-Collector. Ad valorem taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. On February 1, unpaid taxes become subject to penalty and interest charges.

The County's taxes on real property are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years after the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid. A lien on such property becomes enforceable as of January 1.

Taxes Receivable and Advance Tax Collections –

In the Governmental Funds, Current and Delinquent Taxes Receivable have been reported as Taxes Receivable in the assets section of the various balance sheets where applicable and offset in the deferred inflows of resources section. The Taxes Receivable is shown net of allowances for uncollectible accounts.

The "Unavailable Revenues-Property Taxes" consists of taxes levied in prior years, but not collected or available for operations at December 31, 2020. The "Deferred Revenues-Property Taxes" consists of taxes levied in 2020 and budgeted for 2021 operations, but not collected at December 31, 2020. The "Advance Tax Collections" consist of taxes levied and collected in 2020 but are budgeted for 2021 operations.

MC MULLEN COUNTY, TEXAS
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The County begins to collect taxes in October, levied for the subsequent year's budget. These advance tax collections are recognized in the deferred inflows of resources section of the various balance sheets where applicable in both the governmental funds and the government-wide statements.

Appraisal District –

The appraisal of property within the County is the responsibility of the county-wide appraisal district. The McMullen County, Texas Appraisal District (the District) is required under the Property Tax Code to assess all property within the District on the basis of one hundred (100) percent of its market value and is prohibited from applying any assessment ratios. The District, which began its appraisal and equalization functions in 1982, is governed by a Board of Directors elected by the governing bodies of certain taxing entities in the District. The Board of Directors appoints a Chief Appraiser to act as chief administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County may challenge appraised values established by the District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the "effective tax rate" (excluding tax rates for bonds and other contractual obligations adjusted for new improvements) exceeds the rate for the previous year by more than eight (8) percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight (8) percent above the tax rate for the previous year. This legislation also provides that, if mandated by the qualified voters in the District, the collection function must be placed with the District.

Tax Rate –

The effective tax rate for the 2019 levy year was \$0.57 per \$100 assessed valuation. This tax roll was used for fiscal year 2020 operations. The 2020 tax roll is to be used for 2021 operations and its tax rate is \$0.52 per \$100 valuation.

6. RECEIVABLES

Receivables for the County's individual major funds and nonmajor funds are as follows:

	Property Taxes	Grants	County Officials	Total
Governmental activities:				
General Fund	12,444,895	100,257	2,009,909	14,555,061
Road and Bridge Fund	-	7,180	4,966	12,146
Nonmajor Funds	-	-	24,864	24,864
Totals	<u>12,444,895</u>	<u>107,437</u>	<u>2,039,739</u>	<u>14,592,071</u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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7. DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources at year end consisted of the following:

Description	General Fund
Unavailable Revenue - Property Taxes	170,335
Deferred Revenues--Property Taxes	12,274,560
Advanced Tax Collections	<u>3,607,661</u>
Total Deferred Inflow of Resources	<u><u>16,052,556</u></u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund receivables and payables:

Balances due to and from other funds at December 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Road and Bridge Fund	General Fund	<u>6,344</u>	Short-term Loan
	Total	<u><u>6,344</u></u>	

B. Transfers To and From Other Funds:

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Road and Bridge Fund	6,000,000	Supplement fund operations
General Fund	Nonmajor Governmental Funds	1,500,000	Supplement debt payments
General Fund	Nonmajor Governmental Funds	82,596	Establish Abandoned Vehicle Fund
General Fund	Nonmajor Governmental Funds	1,841	Establish Records Management Fund
Nonmajor Governmental Funds	General Fund	<u>35,000</u>	Reimbursement
	Total	<u><u>7,619,437</u></u>	

9. PENSION PLAN

Plan Description

The County provides retirement, disability, and death benefits for all of its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 800 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the County within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

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

Membership Information

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled but not yet receiving benefits:	28	29
Number of active employees:	61	60
Average monthly salary*:	\$3,412	\$3,568
Average age*:	50.79	50.55
Average length of service in years*:	11.94	11.10
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	36	41
Average monthly benefit:	\$954	\$1,045

**Averages reported for all active and inactive employees.*

Funding Policy

The County has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed at the rate of 15.00% of covered payroll for the months of the calendar year in 2020.

The deposit rate payable by all employee members for the calendar year 2019 is 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Schedule of Employer Contributions⁽¹⁾

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
2010	113,646	113,646	-	1,114,176	10.2%
2011	125,213	125,213	-	1,232,415	10.2%
2012	156,314	156,314	-	1,561,543	10.0%
2013	170,383	186,957	(16,574)	1,864,141	10.0%
2014	181,763	843,700	(661,937)	2,133,370	39.5%
2015	127,503	266,744	(139,241)	2,667,430	10.0%
2016	116,903	285,672	(168,768)	2,656,892	10.8%
2017	84,093	267,812	(183,719)	2,678,110	10.0%
2018	194,118	394,548	(200,431)	2,630,319	15.0%
2019	250,977	577,222	(326,244)	2,514,803	23.0%

⁽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. If additional assistance is needed, please contact TCDRS.

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

The TCDRS board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

1. Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.

MC MULLEN COUNTY, TEXAS
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2. Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
3. Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

Net Pension Liability

The County's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Rate of Return Salary Increases	5.25%
L-T Investment Return	8.00%

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

(Continued)

Actuarial Methods and 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⁾
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Cost-of-Living Adjustments	Cost-of-Living Adjustments for McMullen County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the funding valuation.
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	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

⁽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.

Long-Term Expected Rate of Return

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 2020 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation⁽¹⁾	Geometric Real Rate of Return²
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT <NET> Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

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

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

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

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

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

Discount Rate/Depletion of Plan Assets

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

MC MULLEN COUNTY, TEXAS
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3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% was used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	9,499,196	7,456,430	2,042,766
Changes for the year:			
Service cost	446,993	-	446,993
Interest on total pension liability ⁽¹⁾	785,012	-	785,012
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	57,494	-	57,494
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(52,711)	(52,711)	-
Benefit payments	(466,759)	(466,759)	-
Administrative expenses	-	(6,795)	6,795
Member contributions	-	176,036	(176,036)
Net investment income	-	1,224,257	(1,224,257)
Employer contributions	-	577,222	(577,222)
Other ⁽³⁾	-	9,246	(9,246)
Balances as of December 31, 2019	<u>10,269,226</u>	<u>8,916,927</u>	<u>1,352,299</u>

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

⁽²⁾ No plan changes valued.

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

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Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the McMullen County, Texas 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 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	11,583,962	10,269,226	9,168,918
Fiduciary net position	8,916,927	8,916,927	8,916,927
Net pension liability / (asset)	2,667,035	1,352,299	251,991

Pension Expense / (Income)

	January 1, 2019 to December 31, 2019
Service cost	446,993
Interest on total pension liability ⁽¹⁾	785,012
Effect of plan changes	-
Administrative expenses	6,795
Member contributions	(176,036)
Expected investment return net of investment expenses	(613,352)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	16,922
Recognition of assumption changes or inputs	8,574
Recognition of investment gains or losses	37,552
Other ⁽²⁾	(9,246)
Pension expense / (income)	<u>503,213</u>

⁽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.

MC MULLEN COUNTY, TEXAS
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Deferred Inflows / Outflows of Resources

As of December 31, 2019 the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	16,403	51,521
Changes of assumptions	11,059	-
Net difference between projected and actual earnings	199,059	-
Contributions made subsequent to measurement date ⁽³⁾	-	586,745
Total	226,521	638,266

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

Year ended December 31:	
2020	(39,065)
2021	(53,843)
2022	28,591
2023	(110,683)
2024	-
Thereafter ⁽⁴⁾	-

⁽³⁾Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

⁽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.

10. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the County has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended December 31, 2020 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of County Attorney and management, there is no pending or threatened litigation against the County that would have a material effect on the County's financial position or operations.

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

12. COMMITMENTS UNDER NONCAPITALIZED LEASES

Operating Leases:

The County leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

13. FUND BALANCES

The following is a summary of Governmental fund balances of the County at December 31, 2020:

<u>GENERAL FUND</u>	
Restricted:	
Landfill	142,711
Unassigned	<u>12,222,397</u>
TOTAL GENERAL FUND BALANCE	<u>12,365,108</u>
<u>ROAD AND BRIDGE FUND</u>	
Committed:	
Highways, Streets and Bridges	<u>17,024,666</u>
<u>CAPITAL PROJECTS TAX NOTES FUND</u>	
Restricted:	
Capital Improvements/Equipment	<u>3,267,802</u>
<u>OTHER GOVERNMENTAL FUNDS</u>	
Restricted:	
Elections	393
Judicial	3,285
Abandoned Vehicles	99,272
Alternate Dispute Resolution	3,600
Records Management	967
Security	7,232
Law Enforcement	<u>206,167</u>
	320,916
Committed:	
Debt Service	5,035
Unassigned:	
Court Technology	<u>(773)</u>
TOTAL OTHER GOVERNMENTAL FUND BALANCE	<u>325,178</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u><u>32,982,754</u></u>

14. NEW FUNDS

In order to provide better tracking of restricted financial transactions, the County established the following new Special Revenue Funds: Elections, Chapter 19; Records Management and Preservation; County Specialty Court; Court Technology; Clerk of the Court; Law Library; Account for the Prosecutor; Courthouse Security; Court Reporter Service; Jury; Alternate Dispute Resolutions; Local Truancy Prevention; and Abandoned Vehicles.

15. RESTATEMENT OF BEGINNING EQUITY

Effective January 1, 2020, the County implemented GASB Statement No. 84, *Fiduciary Activities*, which was effective for reporting periods beginning after December 15, 2019. The statement changes the definition of fiduciary activities, providing more defined guidance on how to determine if activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating Agency Funds and replacing them with Custodial Funds. Under this guidance, all fiduciary funds will not report a net position and a statement of changes in net position. The County has only custodial fund type fiduciary activities. Because this statement was implemented retroactively, it resulted in a restatement of the prior-period net position balances of Custodial Funds, and fund balance for the Elections, Ch 19 – Governmental Fund. Management also determined that Capital Assets had been understated in the prior year. The Restatements are as follows:

	Other Governmental Funds Elections, Ch 19	Net Position	
		Fiduciary Custodial Funds	Governmental Activities
Fund Equity at December 31, 2019	\$ -	\$ -	\$36,281,450
Addition of Equity as calculated pursuant to GASB 84	386	8,117,164	386
Addition of Equity to correct Capital Asset understatement	-	-	36,238
Fund Equity December 31, 2019, as restated	<u>\$ 386</u>	<u>\$ 8,117,164</u>	<u>\$36,318,074</u>

REQUIRED SUPPLEMENTARY INFORMATION

Major General and Special Revenue Funds Budgetary Comparisons

The following are the Major governmental funds of the County:

The General Fund is utilized to account for all County revenues and expenditures except those which are required by law to be classified in other funds and such other funds that are presented separately to facilitate proper accountability.

The Road and Bridge Special Revenue Fund is used to account for costs associated with the construction and maintenance of roads and bridges in the County. Revenues are derived primarily from ad valorem taxes, vehicle registration charges, State Lateral Road Distribution funds, and interest.

NOTES

The Notes to Required Supplementary Information provide information on the County's budget process.

TCDRS PENSION PLAN

Schedule of Changes in Net Pension Liability and Related Ratios for McMullen County
Schedule of Employer Contributions for McMullen County

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	15,000,000	15,000,000	17,494,607	2,494,607
Licenses and Permits	-	-	-	-
Intergovernmental	96,533	216,533	435,814	219,281
Fees	278,000	568,500	808,435	239,935
Fines and Forfeitures	590,000	299,500	392,379	92,879
Interest Income	20,000	20,000	284,058	264,058
Other	-	-	200,230	200,230
Total Revenues	<u>15,984,533</u>	<u>16,104,533</u>	<u>19,615,523</u>	<u>3,510,990</u>
EXPENDITURES				
Current				
General Administration	4,367,961	3,982,461	2,240,661	1,741,800
Judicial	731,649	731,649	627,723	103,926
Elections	94,763	214,763	162,690	52,073
Financial Administration	627,437	627,437	529,492	97,945
Public Facilities	1,475,451	1,602,951	543,158	1,059,793
Public Safety	3,177,542	3,389,542	2,868,323	521,219
Environmental Protection	2,229,913	2,229,913	1,672,298	557,615
Public Transportation	700,000	650,000	2,418	647,582
Culture and Recreation	191,100	271,100	210,649	60,451
Health and Welfare	345,500	361,500	83,150	278,350
Conservation	184,302	184,302	160,354	23,948
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>14,125,618</u>	<u>14,245,618</u>	<u>9,100,916</u>	<u>5,144,702</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,858,915</u>	<u>1,858,915</u>	<u>10,514,607</u>	<u>8,655,692</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	15,000	35,000	35,000	-
Transfers Out	(7,500,000)	(7,500,000)	(7,584,437)	(84,437)
Total Other Financing Sources (Uses)	<u>(7,485,000)</u>	<u>(7,465,000)</u>	<u>(7,549,437)</u>	<u>(84,437)</u>
Net Change in Fund Balance	<u>(5,626,085)</u>	<u>(5,606,085)</u>	2,965,170	<u>8,571,255</u>
Fund Balance, Beginning of Year			<u>9,399,938</u>	
Fund Balance, End of Year			<u>12,365,108</u>	

See accompanying notes to required supplementary information

MC MULLEN COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	-	-	-	-
Licenses and Permits	120,000	80,000	86,886	6,886
Intergovernmental	24,000	24,000	54,401	30,401
Interest Income	-	-	359,900	359,900
Other	10,000	50,000	10,440	(39,560)
Total Revenues	<u>154,000</u>	<u>154,000</u>	<u>511,627</u>	<u>357,627</u>
EXPENDITURES				
Current				
Public Transportation:				
Road and Bridge	7,152,921	7,152,921	3,061,548	4,091,373
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>7,152,921</u>	<u>7,152,921</u>	<u>3,061,548</u>	<u>4,091,373</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,998,921)</u>	<u>(6,998,921)</u>	<u>(2,549,921)</u>	<u>4,449,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	6,000,000	6,000,000	6,000,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(998,921)</u>	<u>(998,921)</u>	<u>3,450,079</u>	<u>4,449,000</u>
Fund Balance, Beginning of Year			<u>13,574,587</u>	
Fund Balance, End of Year			<u>17,024,666</u>	

See accompanying notes to required supplementary information.

**MC MULLEN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

BUDGETARY DATA

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court. The final amended budget is used in this report. Unused appropriations lapse at the end of each year. The level of control for the detailed budgets is at the fund level.

The County Judge is, by statute, the Budget Officer of the County and usually requests and relies on the assistance of the County Treasurer to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Treasurer prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Treasurer's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Treasurer's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Treasurer is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts.

Budgets for all budgeted General and Special Revenue Funds are adopted in conformity with generally accepted accounting principles (GAAP). Budgets for the 2020 fiscal year were adopted for the General Fund and the Road and Bridge Fund.

MC MULLEN COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31	
	2019	2018
Total Pension Liability		
Service cost	446,993	409,188
Interest on total pension liability	785,012	671,998
Effect of plan changes	-	744,361
Effect of assumption changes or inputs	-	-
Effect of economic/demographic (gains) or losses	57,494	(8,086)
Benefit payments/refunds of contributions	(519,470)	(402,579)
Net change in total pension liability	770,030	1,414,882
Total pension liability, beginning	9,499,196	8,084,334
Total pension liability, ending (a)	10,269,226	9,499,196
Fiduciary Net Position		
Employer contributions	577,222	394,548
Member contributions	176,036	207,816
Investment income net of investment expenses	1,224,257	135,469
Benefit payments/refunds of contributions	(519,470)	(402,579)
Administrative expenses	(6,795)	(5,989)
Other	9,246	8,695
Net change in fiduciary net position	1,460,497	85,021
Fiduciary net position, beginning	7,456,430	7,391,409
Fiduciary net position, ending (b)	8,916,927	7,456,430
Net pension liability / (asset), ending = (a) - (b)	1,352,299	2,042,766
Fiduciary net position as a % of total pension liability	86.83%	78.50%
Pensionable covered payroll	2,514,803	2,630,319
Net pension liability/(asset) as % of covered payroll	53.77%	77.66%

The County will continue to add data until ten years are presented.
 GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available.

Year Ended December 31			
2017	2016	2015	2014
338,976	354,081	254,958	226,605
585,304	526,923	448,447	378,169
505,050	-	972,483	-
(22,120)	-	61,301	-
(23,101)	27,627	26,826	75,289
(366,419)	(340,606)	(333,425)	(332,904)
1,017,690	568,025	1,430,590	347,159
7,066,644	6,498,619	5,068,029	4,720,869
8,084,334	7,066,644	6,498,619	5,068,029
267,812	285,672	266,744	843,700
187,468	185,982	186,720	157,323
931,876	426,450	36,579	317,976
(366,419)	(340,606)	(333,425)	(332,904)
(4,916)	(4,634)	(4,079)	(3,911)
1,145	96,660	30,564	(22,340)
1,016,965	646,524	183,102	959,845
6,374,444	5,727,920	5,544,817	4,584,972
7,391,409	6,374,444	5,727,920	5,544,817
692,925	692,200	770,700	(476,788)
91.43%	90.20%	88.14%	109.41%
2,678,110	2,656,892	2,667,430	2,133,370
25.87%	26.05%	28.89%	-22.35%

MC MULLEN COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2010	113,646	113,646	-	1,114,176	10.2%
2011	125,213	125,213	-	1,232,415	10.2%
2012	156,314	156,314	-	1,561,543	10.0%
2013	170,383	186,957	(16,574)	1,864,141	10.0%
2014	181,763	843,700	(661,937)	2,133,370	39.5%
2015	127,503	266,744	(139,241)	2,667,430	10.0%
2016	116,903	285,672	(168,768)	2,656,892	10.8%
2017	84,093	267,812	(183,719)	2,678,110	10.0%
2018	194,118	394,548	(200,431)	2,630,319	15.0%
2019	250,977	577,222	(326,244)	2,514,803	23.0%

⁽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.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES AS
SUPPLEMENTARY INFORMATION**

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NON-MAJOR GOVERNMENTAL FUNDS

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

	Elections Chapter 19	Records Mgmt and Preservation	County Specialty Court
ASSETS			
Cash and Cash Equivalents	393	(823)	155
Due from Others	-	1,790	250
Total Assets	<u>393</u>	<u>967</u>	<u>405</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	393	967	405
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balance	<u>393</u>	<u>967</u>	<u>405</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>393</u>	<u>967</u>	<u>405</u>

SPECIAL REVENUE FUNDS

Court Technology Fund	Clerk of the Court Fund	Law Library Fund	Account for the Prosecutor	Courthouse Security Fund	Court Reporter Service Fund
(1,603)	320	1,170	40	6,347	9
830	480	70	160	885	30
<u>(773)</u>	<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	800	1,240	200	7,232	39
-	-	-	-	-	-
<u>(773)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(773)</u>	<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>
<u>(773)</u>	<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>

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

SPECIAL REVENUE FUNDS

	Jury Fund	Alternate Dispute Resolution	Local Truancy Prevention Fund	Abandoned Vehicle Fund
ASSETS				
Cash and Cash Equivalents	454	3,600	90	84,333
Due from Others	27	-	30	14,791
Total Assets	481	3,600	120	99,124
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	-	-	-	(148)
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	(148)
FUND BALANCES				
Restricted	481	3,600	120	99,272
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	481	3,600	120	99,272
TOTAL LIABILITIES AND FUND BALANCES	481	3,600	120	99,124

		DEBT SERVICE FUNDS		
Sheriff's State Forfeiture 59	Sheriff's Federal Forfeiture	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
19,727	181,873	296,085	5,035	301,120
-	5,521	24,864	-	24,864
<u>19,727</u>	<u>187,394</u>	<u>320,949</u>	<u>5,035</u>	<u>325,984</u>
-	954	806	-	806
-	-	-	-	-
<u>-</u>	<u>954</u>	<u>806</u>	<u>-</u>	<u>806</u>
19,727	186,440	320,916	-	320,916
-	-	-	5,035	5,035
-	-	(773)	-	(773)
<u>19,727</u>	<u>186,440</u>	<u>320,143</u>	<u>5,035</u>	<u>325,178</u>
<u>19,727</u>	<u>187,394</u>	<u>320,949</u>	<u>5,035</u>	<u>325,984</u>

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

	Elections Chapter 19	Records Mgmt and Preservation	County Specialty Court	Court Technology Fund
REVENUES				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Fines & Forfeitures	-	-	-	-
Charges for Services	-	18,727	405	14,227
Interest Income	7	399	-	-
Miscellaneous	-	-	-	-
Total Revenues	7	19,126	405	14,227
EXPENDITURES				
Current				
General Administration	-	-	-	-
Judicial	-	-	-	-
Elections	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Environmental Protection	-	-	-	-
Public Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	-	-	-	-
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	7	19,126	405	14,227
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,841	-	-
Transfers Out	-	(20,000)	-	(15,000)
Total Other Financing Sources (Uses)	-	(18,159)	-	(15,000)
Net Change In Fund Balances	7	967	405	(773)
Fund Balances at Beginning of Year (Restated)	386	-	-	-
Fund Balances at End of Year	393	967	405	(773)

SPECIAL REVENUE FUNDS

Clerk of the Court Fund	Law Library Fund	Account for the Prosecutor	Courthouse Security Fund	Court Reporter Service Fund	Jury Fund
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
800	1,240	200	7,232	39	481
-	-	-	-	-	-
-	-	-	-	-	-
<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>	<u>481</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>	<u>481</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
800	1,240	200	7,232	39	481
-	-	-	-	-	-
<u>800</u>	<u>1,240</u>	<u>200</u>	<u>7,232</u>	<u>39</u>	<u>481</u>

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

	SPECIAL REVENUE FUNDS		
	Alternate Dispute Resolution	Local Truancy Prevention Fund	Abandoned Vehicle Fund
REVENUES			
Taxes	-	-	-
Intergovernmental	-	-	-
Fines & Forfeitures	-	-	16,269
Charges for Services	3,600	120	-
Interest Income	-	-	1,233
Miscellaneous	-	-	13,846
Total Revenues	<u>3,600</u>	<u>120</u>	<u>31,348</u>
EXPENDITURES			
Current			
General Administration	-	-	-
Judicial	-	-	-
Elections	-	-	-
Financial Administration	-	-	-
Public Facilities	-	-	-
Public Safety	-	-	14,672
Environmental Protection	-	-	-
Public Transportation	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Conservation	-	-	-
Debt Service			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>14,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,600</u>	<u>120</u>	<u>16,676</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	82,596
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>82,596</u>
Net Change In Fund Balances	3,600	120	99,272
Fund Balances at Beginning of Year (Restated)	-	-	-
Fund Balances at End of Year	<u><u>3,600</u></u>	<u><u>120</u></u>	<u><u>99,272</u></u>

		DEBT SERVICE FUNDS		
Sheriff's State Forfeiture 59	Sheriff's Federal Forfeiture	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
-	-	-	-	-
-	-	-	-	-
24,858	4,080	45,207	-	45,207
-	-	47,071	-	47,071
161	3,303	5,103	3,297	8,400
-	-	13,846	-	13,846
<u>25,019</u>	<u>7,383</u>	<u>111,227</u>	<u>3,297</u>	<u>114,524</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,618	10,642	36,932	-	36,932
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,270,000	1,270,000
-	-	-	228,309	228,309
<u>11,618</u>	<u>10,642</u>	<u>36,932</u>	<u>1,498,309</u>	<u>1,535,241</u>
<u>13,401</u>	<u>(3,259)</u>	<u>74,295</u>	<u>(1,495,012)</u>	<u>(1,420,717)</u>
-	-	84,437	1,500,000	1,584,437
-	-	(35,000)	-	(35,000)
<u>-</u>	<u>-</u>	<u>49,437</u>	<u>1,500,000</u>	<u>1,549,437</u>
13,401	(3,259)	123,732	4,988	128,720
6,326	189,699	196,411	47	196,458
<u>19,727</u>	<u>186,440</u>	<u>320,143</u>	<u>5,035</u>	<u>325,178</u>

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DEBT SERVICE FUND

MC MULLEN COUNTY, TEXAS
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	5,035	6,395
Receivables		
Taxes Receivable	-	-
TOTAL ASSETS	<u>5,035</u>	<u>6,395</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Deferred Tax Revenues	-	-
Advanced Tax Collections	-	-
Due to Other Funds	-	6,348
Total Liabilities	<u>-</u>	<u>6,348</u>
FUND BALANCES		
Committed for Debt Service	<u>5,035</u>	<u>47</u>
Total Fund Balances	5,035	47
TOTAL LIABILITIES AND FUND BALANCES	<u>5,035</u>	<u>6,395</u>

MC MULLEN COUNTY, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Taxes	-	-
Licenses and Permits	-	-
Intergovernmental	-	-
Interest Income	3,297	1,347
Other	-	-
Total Revenues	<u>3,297</u>	<u>1,347</u>
EXPENDITURES		
Current		
General Administration	-	-
Financial	-	-
Environmental Protection	-	-
Public Safety	-	-
Conservation	-	-
Debt Service		
Principal Retirement	1,270,000	780,000
Interest and Fiscal Charges	228,309	218,321
Total Expenditures	<u>1,498,309</u>	<u>998,321</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,495,012)</u>	<u>(996,974)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	1,500,000	997,021
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>997,021</u>
Net Change in Fund Balance	4,988	47
Fund Balance at Beginning of Year	47	-
Fund Balance at End of Year	<u><u>5,035</u></u>	<u><u>47</u></u>

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CAPITAL PROJECTS FUND (TAX NOTES)

MC MULLEN COUNTY, TEXAS
 COMPARATIVE BALANCE SHEETS
 CAPITAL PROJECTS FUND (TAX NOTES)
 DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	3,455,011	5,612,857
Receivables		
Due From Other Funds	-	6,348
TOTAL ASSETS	<u>3,455,011</u>	<u>5,619,205</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	187,209	184,255
Due to Other Funds	-	-
Total Liabilities	<u>187,209</u>	<u>184,255</u>
FUND BALANCES		
Restricted for Capital Projects	<u>3,267,802</u>	<u>5,434,950</u>
Total Fund Balances	<u>3,267,802</u>	<u>5,434,950</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>3,455,011</u>	<u>5,619,205</u>

**MC MULLEN COUNTY, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND (TAX NOTES)
 FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUES		
Interest Income	142,696	152,869
Other	-	1,290
Total Revenues	<u>142,696</u>	<u>154,159</u>
EXPENDITURES		
Current		
General Administration	44,920	801,972
Public Facilities	-	196,637
Public Safety	820,196	403,370
Environmental Protection	360,073	159,304
Public Transportation	635,085	1,562,576
Culture and Recreation	449,570	232,987
Health and Welfare	-	8,422
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>2,309,844</u>	<u>3,365,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,167,148)</u>	<u>(3,211,109)</u>
OTHER FINANCING SOURCES (USES)		
Tax Note Proceeds	-	-
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,167,148)	(3,211,109)
Fund Balance (Deficits) at Beginning of Year	<u>5,434,950</u>	<u>8,646,059</u>
Fund Balance (Deficits) at End of Year	<u><u>3,267,802</u></u>	<u><u>5,434,950</u></u>

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ROAD AND BRIDGE SUB-FUNDS

MC MULLEN COUNTY, TEXAS
 SCHEDULE - COMBINING BALANCE SHEET
 ROAD AND BRIDGE SUB-FUNDS
 DECEMBER 31, 2020

	ROAD AND BRIDGE		
	Road and Bridge Precinct 1	Road and Bridge Precinct 2	Road and Bridge Precinct 3
ASSETS			
Cash and Cash Equivalents	5,024,156	3,537,690	3,978,559
Receivables			
Taxes Receivable, Net	-	-	-
Grant Receivable	-	-	-
Due from County Officials	1,242	1,242	1,241
Due from Other Funds	1,586	1,586	1,586
Total Assets	<u>5,026,984</u>	<u>3,540,518</u>	<u>3,981,386</u>
LIABILITIES			
Accounts Payable	67,566	1,089	10,668
Accrued Wages	9,471	3,851	7,702
Due to Other Funds	-	-	-
Total Liabilities	<u>77,037</u>	<u>4,940</u>	<u>18,370</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Property Taxes	-	-	-
Deferred Revenues - Property Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Committed	4,949,947	3,535,578	3,963,016
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>5,026,984</u>	<u>3,540,518</u>	<u>3,981,386</u>

SUB-FUNDS

Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
4,742,581	70,005	17,352,991
-	-	-
7,180	-	7,180
1,241	-	4,966
1,586	-	6,344
<u>4,752,588</u>	<u>70,005</u>	<u>17,371,481</u>
241,042	-	320,365
5,426	-	26,450
-	-	-
<u>246,468</u>	<u>-</u>	<u>346,815</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
4,506,120	70,005	17,024,666
<u>4,752,588</u>	<u>70,005</u>	<u>17,371,481</u>

**MC MULLEN COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ROAD AND BRIDGE SUB-FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>ROAD AND BRIDGE</u>	
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>
REVENUES		
Taxes	-	-
Licenses and Permits	21,722	21,722
Intergovernmental	9,249	9,249
Interest Income	103,393	76,511
Other	2,610	2,610
Total Revenues	<u>136,974</u>	<u>110,092</u>
EXPENDITURES		
Current		
Public Transportation:		
Road and Bridge	792,694	701,177
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>792,694</u>	<u>701,177</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(655,720)</u>	<u>(591,085)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - From General Fund	1,500,000	1,500,000
Transfers In - From Road and Bridge Sub-Funds	-	-
Transfers Out - To General Fund	-	-
Transfers Out - To Road and Bridge Sub-Funds	-	-
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,500,000</u>
Net Change in Fund Balances	844,280	908,915
Fund Balances at Beginning of Year	<u>4,105,667</u>	<u>2,626,663</u>
Fund Balances at End of Year	<u><u>4,949,947</u></u>	<u><u>3,535,578</u></u>

SUB-FUNDS

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
-	-	-	-
21,721	21,721	-	86,886
9,249	16,429	10,225	54,401
85,407	93,529	1,060	359,900
2,610	2,610	-	10,440
<u>118,987</u>	<u>134,289</u>	<u>11,285</u>	<u>511,627</u>
841,883	725,794	-	3,061,548
-	-	-	-
<u>841,883</u>	<u>725,794</u>	<u>-</u>	<u>3,061,548</u>
<u>(722,896)</u>	<u>(591,505)</u>	<u>11,285</u>	<u>(2,549,921)</u>
1,500,000	1,500,000	-	6,000,000
-	-	-	-
-	-	-	-
<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>6,000,000</u>
777,104	908,495	11,285	3,450,079
<u>3,185,912</u>	<u>3,597,625</u>	<u>58,720</u>	<u>13,574,587</u>
<u><u>3,963,016</u></u>	<u><u>4,506,120</u></u>	<u><u>70,005</u></u>	<u><u>17,024,666</u></u>

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FIDUCIARY FUNDS

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 DECEMBER 31, 2020

	<u>County Clerk</u>	<u>District Clerk</u>	<u>Justice of the Peace</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	9,032,590	3,982	-
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Total Assets	<u>9,032,590</u>	<u>3,982</u>	<u>-</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	-	-	-
Due to Others	-	2,010	-
Total Liabilities	<u>-</u>	<u>2,010</u>	<u>-</u>
<u>NET POSITION</u>			
Restricted for individuals or organizations	<u>9,032,590</u>	<u>1,972</u>	<u>-</u>
Total Net Position	<u>9,032,590</u>	<u>1,972</u>	<u>-</u>

<u>Tax Collector</u>	<u>Volunteer Fire Dept</u>	<u>Permanent School Fund</u>	<u>Permanent Undistributed Fund</u>	<u>TOTAL</u>
3,521,791	15,171	112,204	103,627	12,789,365
-	-	-	-	-
-	-	-	-	-
<u>3,521,791</u>	<u>15,171</u>	<u>112,204</u>	<u>103,627</u>	<u>12,789,365</u>
-	-	-	-	-
3,518,927	-	-	-	3,520,937
<u>3,518,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,520,937</u>
<u>2,864</u>	<u>15,171</u>	<u>112,204</u>	<u>103,627</u>	<u>9,268,428</u>
<u><u>2,864</u></u>	<u><u>15,171</u></u>	<u><u>112,204</u></u>	<u><u>103,627</u></u>	<u><u>9,268,428</u></u>

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR DECEMBER 31, 2020

	<u>County Clerk</u>	<u>District Clerk</u>	<u>Justice of the Peace</u>
ADDITIONS			
Contributions:			
From other governments	-	-	-
From individuals	1,105,040	19,276	850,688
Investment interest	146,827	157	2,249
Taxes and fees collected from other governments	-	-	-
Miscellaneous	-	-	-
Total Additions	<u>1,251,867</u>	<u>19,433</u>	<u>852,937</u>
DEDUCTIONS			
Recipient payments	86,321	19,342	852,937
Administrative expenses	-	-	-
Public safety	-	-	-
Total Deductions	<u>86,321</u>	<u>19,342</u>	<u>852,937</u>
Net increase (decrease) in fiduciary net position	1,165,546	91	-
Net position - beginning, restated	<u>7,867,044</u>	<u>1,881</u>	<u>-</u>
Net position - ending	<u><u>9,032,590</u></u>	<u><u>1,972</u></u>	<u><u>-</u></u>

<u>Tax Collector</u>	<u>Volunteer Fire Dept</u>	<u>Permanent School Fund</u>	<u>Permanent Undistributed Fund</u>	<u>TOTAL</u>
-	6,090	-	-	6,090
-	561	-	-	1,975,565
55,969	341	-	3,390	208,933
48,484,208	-	-	-	48,484,208
-	-	-	-	-
<u>48,540,177</u>	<u>6,992</u>	<u>-</u>	<u>3,390</u>	<u>50,674,796</u>
48,542,039	-	-	-	49,500,639
-	-	-	-	-
-	22,893	-	-	22,893
<u>48,542,039</u>	<u>22,893</u>	<u>-</u>	<u>-</u>	<u>49,523,532</u>
(1,862)	(15,901)	-	3,390	1,151,264
<u>4,726</u>	<u>31,072</u>	<u>112,204</u>	<u>100,237</u>	<u>8,117,164</u>
<u>2,864</u>	<u>15,171</u>	<u>112,204</u>	<u>103,627</u>	<u>9,268,428</u>

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COMPLIANCE SECTION

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Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable County Judge
and County Commissioners
McMullen County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County, Texas (the County) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise McMullen County, Texas' basic financial statements, and have issued our report thereon dated April 27, 2022.

Internal Control over Financial Reporting

In planning and performing our audit, we considered McMullen County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McMullen County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the McMullen County, Texas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McMullen County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Lovvorn & Kieschnick, LLP
April 27, 2022