

MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**

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INTRODUCTORY SECTION

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MC MULLEN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2022

COMMISSIONERS COURT

James E. Teal	County Judge
Larry Garcia	Commissioner, Precinct No. 1
Murray Swaim	Commissioner, Precinct No. 2
Scotty McClaugherty	Commissioner, Precinct No. 3
Max Quintanilla	Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS

Mattie Sadovsky	District/County Clerk
Bessie Guerrero	Tax Assessor/Collector
Jill Atkinson	Treasurer
Debora Garza	Justice of the Peace
Emmett Shelton	Sheriff
Kimberly Kreider-Dusek	County Attorney
Martin Soward	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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McMullen County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McMullen County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards *and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards *and Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 McMullen County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McMullen County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5-12 and 48-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMullen County, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2024, 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 the effectiveness of McMullen County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McMullen County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP

July 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MC MULLEN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022. 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, 2022 by \$53,517,357 (presented as "net position"). Of this amount \$29,635,349 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 \$5,089,468 (a 10% increase) in fiscal year 2022. The County only had governmental activities during the 2022 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 2022, the County's governmental funds reported a combined ending fund balance of \$28,951,681 which was a decrease of \$4,311,480 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$10,890,984 equal to 54% 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 eighteen individual governmental funds (excluding fiduciary funds): fifteen 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 \$78,582,354 the largest components are: 1) cash and cash equivalents of \$31,836,355 or 41%, 2) capital assets net of accumulated depreciation of \$27,442,749 or 35%, and 3) receivables which largely represent the unavailable taxes for FY2022 of \$18,180,752 or 23%. The receivables are offset by deferred inflows of resources: unearned 2022 tax revenues and advanced tax collections, since the FY2022 tax revenue is not recognized until FY2023 even though the levy takes place in FY2022. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Liabilities consist of current liabilities of \$1,390,484 and noncurrent liabilities of \$4,295,000.

(Continued)

The County's net position for fiscal years ended December 31, 2022 and 2021 are summarized as follows:

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
Current and other assets	51,139,605	48,840,317	5%
Capital assets (net of depreciation)	27,442,749	19,936,177	38%
Total assets	<u>78,582,354</u>	<u>68,776,494</u>	14%
Deferred outflows of resources	1,285,064	1,115,666	15%
Current and other liabilities	1,390,484	730,172	90%
Long-term liabilities	4,295,000	6,220,274	-31%
Total liabilities	<u>5,685,484</u>	<u>6,950,446</u>	-18%
Deferred inflows of resources	20,664,577	14,513,825	42%
Net position:			
Net investment in capital assets	23,147,746	16,318,370	42%
Restricted	734,262	541,005	36%
Unrestricted	29,635,349	31,568,514	-6%
Total net position	<u>53,517,357</u>	<u>48,427,889</u>	11%

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 \$53,517,357 at the end of fiscal year 2022 compared to \$48,427,889 at the end of the previous year.

Of the County's total net position, (43%) 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 \$5,089,468. The key components of this change are the following:

McMullen County, Texas' Changes in Net Position

	Governmental Activities		Total Percentage Change 2022-2021	
	2022	2021		
Revenues:				
Net Program revenues:				
Charges for services	1,128,680	1,250,917	-10%	
Operating grants and contributions	698,947	3,610,143	-81%	
Capital grants and contributions	-	-	0%	
General revenues:				
Property taxes	14,734,467	16,553,647	-11%	
Investment earnings	260,600	544,068	-52%	
Miscellaneous	303,096	302,917	0%	
Total revenues	17,125,790	22,261,692	-23%	
Expenses:				
General Administration	2,706,567	1,826,276	48%	
Judicial	760,930	515,327	48%	
Elections	122,385	70,652	73%	
Financial Administration	586,904	424,032	38%	
Public Facilities	794,827	698,779	14%	
Public Safety	2,430,148	2,836,009	-14%	
Environmental Protection	1,200,809	1,249,628	-4%	
Public Transportation	2,911,730	10,240,751	-72%	
Health and Welfare	167,788	245,804	-32%	
Culture and Recreation	5,416	87,864	-94%	
Conservation	214,478	136,076	58%	
Interest and fiscal charges on debt	134,340	174,694	-23%	
Total expenses	12,036,322	18,505,892	-35.0%	
Change in net position	5,089,468	3,755,800	36%	
Net position--beginning	48,427,889	44,672,089	8%	
Net position--ending	53,517,357	48,427,889	11%	

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 \$1,827,627 equaled 15% of government expenses of \$12,036,322. As expected, general revenues (\$15,298,163) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$2,911,730), while this category provided about 1% (\$110,338) of total revenues of \$17,125,790.
- The next largest category of expenses is General Administration (\$2,706,567) with \$64,910 in revenues, or about .04% of total revenues.
- Public Safety expenses were \$2,430,148, with revenues of \$965,201 or about 6% of total revenues.
- Grant revenues and contributions comprised about 4% 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 \$28,951,681, a decrease of \$4,311,480 in comparison with the prior year. Approximately \$10,890,984 or 38% 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 \$10,890,984 while total fund balance reached \$11,039,484, a decrease of \$3,708,781 from the previous year. 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 54% of total fund expenditures and transfers out.

General Fund Budgetary Highlights (Non-GAAP Budgetary Basis)

For FY2022, actual expenditures were \$9,056,428 compared to the budget amount of \$13,284,991.

For FY2022, actual revenues were \$16,555,458 as compared to the budget amount of \$13,870,866.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2022 the County had \$37,653,021 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 \$7,506,572, or 38% more than last year.

Capital Assets at Year-End

	Governmental Activities		Total Percentage
	2022	2021	Change 2022-2021
Land	1,575,056	1,575,056	0%
Buildings and Improvements	4,264,207	3,780,804	13%
Equipment and Vehicles	8,446,286	7,564,183	12%
Infrastructure	9,773,369	9,569,566	2%
Construction in Progress	13,594,103	6,735,530	102%
Subtotal	37,653,021	29,225,139	29%
Accumulated depreciation	(10,210,272)	(9,288,962)	10%
Capital assets, net	<u>27,442,749</u>	<u>19,936,177</u>	38%

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 \$4,295,000 at December 31, 2022. This was a decrease of \$1,345,000 or a 24% decrease compared to last year.

Long-term Obligations at Year-End

	Governmental Activities		
	2022	2021	Increase (Decrease)
Tax Notes, Series 2018	4,295,000	5,640,000	(1,345,000)
Compensated Absences	42,610	45,791	(3,181)
Net Pension Liability (Asset)	(1,122,501)	580,274	(1,702,775)
Totals	3,215,109	6,266,065	(3,050,956)

ECONOMIC CONDITION AND OUTLOOK

The County is in good financial condition as of December 31, 2022, and has adequate cash and cash equivalents to finance the 2023 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, 2022

Exhibit 1

ASSETS

Cash and Cash Equivalents	31,836,355
Receivables	
Taxes Receivable, Net	14,492,298
Grant Receivable	177,629
Due from Others	2,896,503
Fines Receivable, Net	614,322
Capital Assets	
Land	1,575,056
Buildings and Improvements	4,264,208
Equipment and Vehicles	8,446,284
Infrastructure	9,773,368
Construction In Progress	13,594,103
Less Accumulated Depreciation	(10,210,273)
Net Pension Asset	1,122,501

TOTAL ASSETS 78,582,354

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow Related to Pensions	1,285,064
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,285,064</u>

LIABILITIES

Accounts Payable	1,111,587
Accrued Interest	48,480
Accrued Wages	187,807
Compensated Absences	42,610
Noncurrent Liabilities	
Due Within One Year	1,390,000
Due in More Than One Year	2,905,000
TOTAL LIABILITIES	<u>5,685,484</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Revenues - Property Taxes	14,318,354
Advanced Tax Collections	4,659,413
Deferred Inflow Related to Pensions	1,686,810
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,664,577</u>

NET POSITION

Net Investment In Capital Assets	23,147,746
Restricted For	
Law Enforcement	198,691
Judicial	1,337
Landfill	148,500
Security	24,279
Abandoned Vehicles	280,537
Court Technology	10,687
Records Management	22,669
Elections	14,739
Caliham Water & Sewer	32,823
Unrestricted	29,635,349
TOTAL NET POSITION	<u>53,517,357</u>

The accompanying notes are an integral part of this statement

MC MULLEN COUNTY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Administration	2,706,567	64,910	-	-
Judicial	760,930	530,728	-	-
Elections	122,385	-	11,964	-
Financial Administration	586,904	144,486	-	-
Public Facilities	794,827	-	-	-
Public Safety	2,430,148	316,968	648,233	-
Environmental Protection	1,200,809	-	-	-
Public Transportation	2,911,730	71,588	38,750	-
Health and Welfare	167,788	-	-	-
Culture and Recreation	5,416	-	-	-
Conservation	214,478	-	-	-
Interest and Fiscal Charges on Debt	134,340	-	-	-
Total Governmental Activities	12,036,322	1,128,680	698,947	-

General Revenues
 Property Taxes
 Investment Earnings
 Miscellaneous
 Total General Revenues

Change in Net Position
 Net Position-Beginning
 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

(2,641,657)
(230,202)
(110,421)
(442,418)
(794,827)
(1,464,947)
(1,200,809)
(2,801,392)
(167,788)
(5,416)
(214,478)
(134,340)

(10,208,695)

14,734,467
260,600
303,096
15,298,163

5,089,468
48,427,889
53,517,357

**MC MULLEN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
ASSETS		
Cash and Cash Equivalents	13,332,836	13,260,558
Receivables		
Taxes Receivable, Net	14,492,298	-
Grant Receivable	177,629	-
Due From County Officials	2,868,002	3,772
TOTAL ASSETS	<u>30,870,765</u>	<u>13,264,330</u>
LIABILITIES		
Accounts Payable	526,064	55,020
Accrued Wages	153,507	34,300
Total Liabilities	<u>679,571</u>	<u>89,320</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Property Taxes	173,943	-
Deferred Revenues - Property Taxes	14,318,354	-
Advanced Tax Collections	4,659,413	-
Total Deferred Inflows of Resources	<u>19,151,710</u>	<u>-</u>
FUND BALANCES		
Restricted	148,500	-
Committed	-	13,175,010
Unassigned	10,890,984	-
Total Fund Balances	<u>11,039,484</u>	<u>13,175,010</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>30,870,765</u>	<u>13,264,330</u>

The accompanying notes are an integral part of this statement.

Exhibit 3

CAPITAL PROJECTS TAX NOTES FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	4,659,880	583,081	31,836,355
-	-	-	14,492,298
-	-	-	177,629
-	-	24,729	2,896,503
<u>-</u>	<u>4,659,880</u>	<u>607,810</u>	<u>49,402,785</u>
<hr/>			
-	520,891	9,612	1,111,587
-	-	-	187,807
<u>-</u>	<u>520,891</u>	<u>9,612</u>	<u>1,299,394</u>
<hr/>			
-	-	-	173,943
-	-	-	14,318,354
-	-	-	4,659,413
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,151,710</u>
<hr/>			
-	-	585,762	734,262
-	4,138,989	12,436	17,326,435
-	-	-	10,890,984
<u>-</u>	<u>4,138,989</u>	<u>598,198</u>	<u>28,951,681</u>
<hr/>			
<u>-</u>	<u>4,659,880</u>	<u>607,810</u>	<u>49,402,785</u>

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MC MULLEN COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
DECEMBER 31, 2022

Exhibit 3-R

Total fund balance - total governmental funds	28,951,681
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.	27,442,746
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	173,943
Accrued interest on bonds	(48,480)
Other long-term liabilities which are not due in the current period are not reported in the funds	(42,610)
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,295,000)
Fines receivable, net of allowances for uncollectibles	614,322
Recognition of County's proportionate share of the net pension asset (liability) is not reported in the funds.	1,122,501
Deferred resource outflows related to pension are not reported in the funds.	1,285,064
Deferred resource inflows related to pension are not reported in the funds.	(1,686,810)
Net position of governmental activities - statement of net position	<u><u>53,517,357</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, 2022

	GENERAL FUND	ROAD AND BRIDGE FUND
REVENUES		
Taxes	14,721,368	-
Licenses and Permits	-	71,588
Intergovernmental	648,233	38,750
Fees	503,169	-
Fines and Forfeitures	384,824	-
Interest Income	129,370	103,312
Other	168,494	26,903
Total Revenues	16,555,458	240,553
EXPENDITURES		
Current		
General Administration	1,749,268	-
Judicial	760,930	-
Elections	111,535	-
Financial Administration	586,904	-
Public Facilities	572,072	-
Public Safety	3,633,304	-
Environmental Protection	1,281,344	-
Public Transportation	-	3,153,355
Culture and Recreation	4,492	-
Health and Welfare	142,101	-
Conservation	214,478	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	9,056,428	3,153,355
 Excess (Deficiency) of Revenues Over Expenditures	 7,499,030	 (2,912,802)
 OTHER FINANCING SOURCES (USES)		
Transfers In	42,189	-
Transfers Out	(11,250,000)	-
Total Other Financing Sources (Uses)	(11,207,811)	-
 Net Change in Fund Balances	 (3,708,781)	 (2,912,802)
 Fund Balances at Beginning of Year	 14,748,265	 16,087,812
 Fund Balances at End of Year	 <u>11,039,484</u>	 <u>13,175,010</u>

The accompanying notes are an integral part of this statement.

Exhibit 4

CAPITAL PROJECTS TAX NOTES FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	14,721,368
-	-	-	71,588
-	-	11,964	698,947
-	-	56,078	559,247
-	-	83,749	468,573
1,881	23,816	2,221	260,600
-	-	107,699	303,096
<u>1,881</u>	<u>23,816</u>	<u>261,711</u>	<u>17,083,419</u>
64,140	960,737	-	2,774,145
-	-	-	760,930
-	-	-	111,535
-	-	-	586,904
-	-	28,133	600,205
23,977	40,134	53,560	3,750,975
-	-	-	1,281,344
1,620,870	4,399,383	-	9,173,608
315,087	184,573	-	504,152
-	-	-	142,101
-	-	-	214,478
-	-	1,345,000	1,345,000
-	-	149,522	149,522
<u>2,024,074</u>	<u>5,584,827</u>	<u>1,576,215</u>	<u>21,394,899</u>
<u>(2,022,193)</u>	<u>(5,561,011)</u>	<u>(1,314,504)</u>	<u>(4,311,480)</u>
-	9,700,000	1,550,000	11,292,189
-	-	(42,189)	(11,292,189)
<u>-</u>	<u>9,700,000</u>	<u>1,507,811</u>	<u>-</u>
(2,022,193)	4,138,989	193,307	(4,311,480)
<u>2,022,193</u>	<u>-</u>	<u>404,891</u>	<u>33,263,161</u>
<u>-</u>	<u>4,138,989</u>	<u>598,198</u>	<u>28,951,681</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, 2022

Exhibit 4-R

Net change in fund balance - total governmental funds	(4,311,480)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	8,511,324
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,004,754)
Loss on disposal of capital assets	-
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	13,099
Change in fines receivable	29,272
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,345,000
(Increase) decrease in accrued interest from beginning of period to end of period	15,182
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.	3,181
Some pension expenses do not require the use of current financial resources and are therefore not reported as expenditures in the funds.	488,644
Change in net assets of governmental activities - statement of activities	<u>5,089,468</u>

The accompanying notes are an integral part of this statement.

**MC MULLEN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2022**

Exhibit 5

ASSETS

Cash and Cash Equivalents	11,162,998
Due From Other Funds	-
Due From Other Governments	-
Total Assets	<u>11,162,998</u>

LIABILITIES

Accounts Payable	-
Due to Others	-
Total Liabilities	<u>-</u>

NET POSITION

Restricted for individuals or organizations	<u>11,162,998</u>
Total Net Position	<u>11,162,998</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, 2022**

Exhibit 6

ADDITIONS

Contributions:

From other governments	33,080
From individuals	1,916,205
Investment interest	33,235
Taxes and fees collected for other governments	51,254,721
Miscellaneous	-

Total Additions 53,237,241

DEDUCTIONS

Recipient payments	52,071,511
Administrative expenses	139
Public safety	40,685

Total Deductions 52,112,335

Net increase (decrease) in fiduciary net position 1,124,907

Net position - beginning 10,038,091

Net position - ending 11,162,998

The accompanying notes are an integral part of this statement.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 2022.

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, 2022

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 2022.

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, 2022

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, 2022, and became due October 1, 2022 have been assessed to finance the budget of the fiscal year beginning January 1, 2023 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, 2022.

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, 2022

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022

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:

Deficit		
Fund Name	Amount	Remarks
None Reported	Not Applicable	Not Applicable

N. Accounting Pronouncements

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.

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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	
	<u>2022</u>
Bank Deposits	
Demand Deposits	22,854,809
Non-negotiable Certificate of Deposit	148,500
Cash and Cash Equivalents	
Petty Cash on Hand	<u>1,500</u>
Total Cash and Deposits	<u>23,004,809</u>

During the year ended December 31, 2022, 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</u>
	<u>December 31, 2022</u>
Investments	
LOGIC	11,573,000
Negotiable Certificates of Deposit	8,367,213
Money Market	<u>54,331</u>
Total Investments	19,994,544
Total Cash and Deposits	<u>23,004,809</u>
Total Deposits and Investments	<u>42,999,353</u>

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

As of December 31, 2022, the County had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 3	4 to 5
LOGIC	11,573,000	11,573,000	-	-
Certificates of Deposit	8,367,213	2,802,791	5,564,422	-
Money Market	54,331	54,331	-	-
Total Fair Value	19,994,544	14,430,122	5,564,422	-

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.

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	12/31/2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of Deposit	8,367,213	-	8,367,213	-
Total Fair Value	8,367,213	-	8,367,213	-

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Balance January 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	1,575,056	-	-	1,575,056
Construction in Progress	6,735,530	7,545,779	687,206	13,594,103
Total capital assets, not being depreciated	<u>8,310,586</u>	<u>7,545,779</u>	<u>687,206</u>	<u>15,169,159</u>
Capital assets, being depreciated:				
Buildings and Improvements	3,780,804	483,404	-	4,264,207
Machinery, Equipment and Vehicles	7,564,183	965,545	(83,443)	8,446,286
Infrastructure	9,569,566	203,802	-	9,773,369
Total capital assets, being depreciated	<u>20,914,553</u>	<u>1,652,752</u>	<u>(83,443)</u>	<u>22,483,863</u>
Less accumulated depreciation for:				
Buildings and Improvements	(918,668)	(84,828)	-	(1,003,496)
Machinery, Equipment and Vehicles	(6,195,029)	(729,369)	83,443	(6,840,955)
Infrastructure	(2,175,265)	(190,557)	-	(2,365,823)
Total accumulated depreciation	<u>(9,288,962)</u>	<u>(1,004,754)</u>	<u>83,443</u>	<u>(10,210,272)</u>
Total capital assets, being depreciated, net	<u>11,625,591</u>	<u>647,998</u>	<u>-</u>	<u>12,273,591</u>
Governmental activities capital assets, net	<u>19,936,177</u>	<u>8,193,777</u>	<u>687,206</u>	<u>27,442,749</u>

Depreciation expense was charged to functions/programs of the County for the 2022 year as follows:

Governmental Activities:

General Administration	78,615
Elections	10,850
Public Facilities	194,622
Public Safety	410,452
Environmental Protection	181,727
Public Transportation	101,878
Health and Welfare	25,686
Culture and Recreation	924
Conservation - Agriculture	-
Total Depreciation Expense	<u>1,004,754</u>

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2022 was as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 1/1/22	Additions	Reductions	Amounts Outstanding 12/31/22	Amounts Due Within One Year
Governmental Activities:							
Tax Notes, Series 2018	3.010%	9,000,000	5,640,000		-	1,345,000	4,295,000
Other Liabilities:							
Compensated Absences			45,791	42,610	45,791	42,610	42,610
Net Pension Liability			580,274	1,775,053	3,477,828	(1,122,501)	-
Total Governmental Activities:							
Long-term Liabilities			6,266,065	1,817,663	4,868,619	3,215,109	1,432,610

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.

The annual requirements for notes for years subsequent to December 31, 2022, are as follows:

Year Ending December 31	Governmental Activities		
	Tax Notes, Series 2018		
	Principal	Interest	Total
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	4,295,000	196,477	4,491,477

Defeased Debt Outstanding –

The County had no defeased debt outstanding at December 31, 2022.

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, 2022. The "Deferred Revenues-Property Taxes" consists of taxes levied in 2022 and budgeted for 2023 operations, but not collected at December 31, 2022. The "Advance Tax Collections" consist of taxes levied and collected in 2022 but are budgeted for 2023 operations.

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 Central 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Tax Rate –

The effective tax rate for the 2021 levy year was \$0.52 per \$100 assessed valuation. This tax roll was used for fiscal year 2022 operations. The 2022 tax roll is to be used for 2023 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	14,492,298	177,629	2,868,002	17,537,929
Road and Bridge Fund	-	-	3,772	3,772
Nonmajor Funds	-	-	24,729	24,729
Totals	<u>14,492,298</u>	<u>177,629</u>	<u>2,896,503</u>	<u>17,566,430</u>

7. DEFERRED INFLOW OF RESOURCES

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

Description	General Fund
Unavailable Revenue - Property Taxes	173,943
Deferred Revenues--Property Taxes	14,318,354
Advanced Tax Collections	<u>4,659,413</u>
Total Deferred Inflow of Resources	<u>19,151,710</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund receivables and payables:

There were no interfund receivables and payables at December 31, 2022.

B. Transfers To and From Other Funds:

Transfers to and from other funds at August 31, 2022, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	9,700,000	Supplement Fund Operations
General Fund	Nonmajor Governmental Funds	1,550,000	Supplement Debt Payments
Nonmajor Governmental Funds	General Fund	42,189	Reimbursements
	Total	<u>11,292,189</u>	

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 826 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR 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, 2020	Dec. 31, 2021
Number of inactive employees entitled but not yet receiving benefits:	31	27
Number of active employees:	59	63
Average monthly salary*:	\$3,585	\$3,638
Average age*:	52.38	52.79
Average length of service in years*:	11.78	11.56
<hr/> Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	43	43
Average monthly benefit:	\$1,005	\$1,038

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 2022.

The deposit rate payable by all employee members for the calendar year 2022 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.

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.
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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Rate of Return Salary Increases	4.70%
L-T Investment Return	7.50%

The actuarial assumptions that determined the total pension liability as of December 31, 2021 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Actuarial Methods and Assumptions

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percentage of pay) ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for McMullen County are considered to be substantively automatic under GASB 68. Therefore, an annual 100% CPI cost-of-living adjustment is included in the GASB calculations. 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	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non- depositing members	135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

⁽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.

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

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 2022 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 long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

⁽¹⁾Target asset allocation adopted at the March 2022 TCDRS Board meeting.

⁽²⁾Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

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

⁽⁴⁾Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Depletion of Plan Assets/GASB Discount Rate

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
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

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 7.60% was used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability / (Asset)

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, 2020	11,434,400	10,854,127	580,274
Changes for the year:			
Service cost	503,566	-	503,566
Interest on total pension liability ⁽¹⁾	886,094	-	886,094
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	378,067	-	378,067
Effect of assumptions changes or inputs	(216,033)	-	(216,033)
Refund of contributions	(52,521)	(52,521)	-
Benefit payments	(515,545)	(515,545)	-
Administrative expenses	-	(7,326)	7,326
Member contributions	-	186,538	(186,538)
Net investment income	-	2,414,945	(2,414,945)
Employer contributions	-	649,725	(649,725)
Other ⁽³⁾	-	10,587	(10,587)
Balances as of December 31, 2021	<u>12,418,028</u>	<u>13,540,530</u>	<u>(1,122,501)</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.

MC MULLEN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$14,144,107	\$12,418,028	\$10,988,373
Fiduciary net position	13,540,529	13,540,529	13,540,529
Net pension liability / (asset)	<u>\$603,578</u>	<u>(\$1,122,501)</u>	<u>(\$2,552,156)</u>

Pension Expense / (Income)

January 1, 2021 to
 December 31, 2021

Service cost	503,566
Interest on total pension liability ⁽¹⁾	886,094
Effect of plan changes	-
Administrative expenses	7,326
Member contributions	(186,538)
Expected investment return net of investment expenses	(835,040)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	70,863
Recognition of assumption changes or inputs	107,117
Recognition of investment gains or losses	(404,302)
Other ⁽²⁾	(10,587)
 Pension expense / (income)	 138,498

⁽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
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2022

Deferred Inflows / Outflows of Resources

As of December 31, 2021 the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	64,842	306,547
Changes of assumptions	165,710	329,624
Net difference between projected and actual earnings	1,456,258	-
Contributions made subsequent to measurement date ⁽³⁾	N/A	648,893
Total	1,686,810	1,285,064

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:

2022	(143,888)
2023	(283,163)
2024	(307,608)
2025	(315,980)
2026	-
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, 2022 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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. FUND BALANCES

The following is a summary of Governmental fund balances of the County at December 31, 2022:

GENERAL FUND

Restricted:

Landfill	148,500
Unassigned	<u>10,890,984</u>

TOTAL GENERAL FUND BALANCE

11,039,484

ROAD AND BRIDGE FUND

Committed:

Highways, Streets and Bridges	<u>13,175,010</u>
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CAPITAL PROJECTS FUND

Restricted:

Capital Improvements/Equipment	<u>4,138,989</u>
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OTHER GOVERNMENTAL FUNDS

Restricted:

Elections	14,739
Judicial	1,337
Abandoned Vehicles	280,537
Records Management	22,669
Security	24,279
Law Enforcement	198,691
Court Technology	10,687
Calliham Water & Sewer	<u>32,823</u>
	<u>585,762</u>

Committed:

Debt Service	<u>12,436</u>
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TOTAL OTHER GOVERNMENTAL FUND BALANCE

598,198

TOTAL GOVERNMENTAL FUND BALANCE

28,951,681

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	13,000,000	13,000,000	14,721,368	1,721,368
Licenses and Permits	-	-	-	-
Intergovernmental	1,856,866	156,866	648,233	491,367
Fees	398,000	398,000	503,169	105,169
Fines and Forfeitures	390,000	305,000	384,824	79,824
Interest Income	10,000	10,000	129,370	119,370
Other	1,000	1,000	168,494	167,494
Total Revenues	15,655,866	13,870,866	16,555,458	2,684,592
EXPENDITURES				
Current				
General Administration	2,629,339	2,645,339	1,749,268	896,071
Judicial	766,373	830,473	760,930	69,543
Elections	97,646	127,646	111,535	16,111
Financial Administration	631,695	631,695	586,904	44,791
Public Facilities	1,564,908	1,574,908	572,072	1,002,836
Public Safety	3,501,934	3,766,834	3,633,304	133,530
Environmental Protection	2,547,109	2,497,107	1,281,344	1,215,763
Public Transportation	-	-	-	-
Culture and Recreation	236,000	236,000	4,492	231,508
Health and Welfare	755,000	755,000	142,101	612,899
Conservation	189,989	219,989	214,478	5,511
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	12,919,993	13,284,991	9,056,428	4,228,563
Excess (Deficiency) of Revenues Over Expenditures	2,735,873	585,875	7,499,030	6,913,155
OTHER FINANCING SOURCES (USES)				
Transfers In	15,000	42,189	42,189	-
Transfers Out	(13,400,000)	(11,250,000)	(11,250,000)	-
Total Other Financing Sources (Uses)	(13,385,000)	(11,207,811)	(11,207,811)	-
Net Change in Fund Balance	(10,649,127)	(10,621,936)	(3,708,781)	6,913,155
Fund Balance, Beginning of Year			14,748,265	
Fund Balance, End of Year			11,039,484	

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	-	-	-	-
Licenses and Permits	60,000	60,000	71,588	11,588
Intergovernmental	33,000	33,000	38,750	5,750
Interest Income	-	-	103,312	103,312
Other	10,000	10,000	26,903	16,903
Total Revenues	103,000	103,000	240,553	137,553
EXPENDITURES				
Current				
Public Transportation:				
Road and Bridge	8,554,192	7,354,192	3,153,355	4,200,837
Debt Service	-	-	-	-
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	8,554,192	7,354,192	3,153,355	4,200,837
Excess (Deficiency) of Revenues Over Expenditures	(8,451,192)	(7,251,192)	(2,912,802)	4,338,390
OTHER FINANCING SOURCES (USES)				
Transfers In	5,200,000	1,496,000	-	(1,496,000)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	5,200,000	1,496,000	-	(1,496,000)
Net Change in Fund Balance	(3,251,192)	(5,755,192)	(2,912,802)	2,842,390
Fund Balance, Beginning of Year			16,087,812	
Fund Balance, End of Year			13,175,010	

See accompanying notes to required supplementary information.

MC MULLEN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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 2022 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		
	2021	2020	2019
Total Pension Liability			
Service cost	503,566	469,939	446,993
Interest on total pension liability	886,094	846,805	785,012
Effect of plan changes	-	(111,212)	-
Effect of assumption changes or inputs	(216,033)	659,248	-
Effect of economic/demographic (gains) or losses	378,067	(118,745)	57,494
Benefit payments/refunds of contributions	(568,067)	(580,861)	(519,470)
Net change in total pension liability	983,627	1,165,175	770,029
 Total pension liability, beginning	 11,434,400	 10,269,226	 9,499,196
Total pension liability, ending (a)	12,418,028	11,434,400	10,269,226
 Fiduciary Net Position			
Employer contributions	649,725	1,390,388	577,222
Member contributions	186,538	182,181	176,036
Investment income net of investment expenses	2,414,945	923,205	1,224,257
Benefit payments/refunds of contributions	(568,067)	(580,861)	(519,470)
Administrative expenses	7,326	(7,942)	(6,795)
Other	10,587	30,229	9,246
Net change in fiduciary net position	2,686,402	1,937,200	1,460,497
 Fiduciary net position, beginning	 10,854,127	 8,916,927	 7,456,430
Fiduciary net position, ending (b)	13,540,529	10,854,127	8,916,927
 Net pension liability / (asset), ending = (a) - (b)	 (1,122,501)	 580,724	 1,352,299
 Fiduciary net position as a % of total pension liability	 109.04%	 94.93%	 86.83%
 Pensionable covered payroll	 2,664,830	 2,602,590	 2,514,803
 Net pension liability/(asset) as % of covered payroll	 -42.12%	 22.30%	 53.77%

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**

2018	2017	2016	2015	2014
409,188	338,976	354,081	254,958	226,605
671,998	585,304	526,923	448,447	378,169
744,361	505,050	-	972,483	-
-	(22,120)	-	61,301	-
(8,086)	(23,101)	27,627	26,826	75,289
(402,579)	(366,419)	(340,606)	(333,425)	(332,904)
<u>1,414,882</u>	<u>1,017,690</u>	<u>568,025</u>	<u>1,430,590</u>	<u>347,159</u>
 8,084,334	 7,066,644	 6,498,619	 5,068,029	 4,720,869
<u>9,499,196</u>	<u>8,084,334</u>	<u>7,066,644</u>	<u>6,498,619</u>	<u>5,068,029</u>
 394,548	 267,812	 285,672	 266,744	 843,700
207,816	187,468	185,982	186,720	157,323
135,469	931,876	426,450	36,579	317,976
(402,579)	(366,419)	(340,606)	(333,425)	(332,904)
(5,989)	(4,916)	(4,634)	(4,079)	(3,911)
8,695	1,145	96,660	30,564	(22,340)
<u>85,021</u>	<u>1,016,965</u>	<u>646,524</u>	<u>183,102</u>	<u>959,845</u>
 7,391,409	 6,374,444	 5,727,920	 5,544,817	 4,584,972
<u>7,456,430</u>	<u>7,391,409</u>	<u>6,374,444</u>	<u>5,727,920</u>	<u>5,544,817</u>
 2,042,766	 692,925	 692,200	 770,700	 (476,788)
 78.50%	 91.43%	 90.20%	 88.14%	 109.41%
 2,630,319	 2,678,110	 2,656,892	 2,667,430	 2,133,370
 77.66%	 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
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%
2020	244,383	1,390,388	(1,146,005)	2,602,590	53.4%
2021	173,214	649,725	(476,511)	2,664,830	24.4%

⁽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, 2022

	Elections Chapter 19	Records Mgmt and Preservation	County Specialty Court
ASSETS			
Cash and Cash Equivalents	14,739	22,669	-
Due from Others	-	-	-
Total Assets	<u>14,739</u>	<u>22,669</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	14,739	22,669	-
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balance	<u>14,739</u>	<u>22,669</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>14,739</u>	<u>22,669</u>	<u>-</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
10,687	-	840	-	24,279	-
<u>10,687</u>	<u>-</u>	<u>840</u>	<u>-</u>	<u>24,279</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,687	-	840	-	24,279	-
<u>10,687</u>	<u>-</u>	<u>840</u>	<u>-</u>	<u>24,279</u>	<u>-</u>
<u>10,687</u>	<u>-</u>	<u>840</u>	<u>-</u>	<u>24,279</u>	<u>-</u>

MC MULLEN COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2022

SPECIAL REVENUE FUNDS

	Jury Fund	Alternate Dispute Resolution	Local Truancy Prevention Fund	Abandoned Vehicle Fund
ASSETS				
Cash and Cash Equivalents	497	-	-	258,283
Due from Others	-	-	-	24,729
Total Assets	497	-	-	283,012
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	-	-	-	2,475
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	2,475
FUND BALANCES				
Restricted	497	-	-	280,537
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	497	-	-	280,537
TOTAL LIABILITIES AND FUND BALANCES	497	-	-	283,012

			DEBT SERVICE FUNDS		
Calliham Water & Sewer Fund	Sheriff's State Forfeiture 59	Sheriff's Federal Forfeiture	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
39,960	9,313	189,378	570,645	12,436	583,081
-	-	-	24,729	-	24,729
<u>39,960</u>	<u>9,313</u>	<u>189,378</u>	<u>595,374</u>	<u>12,436</u>	<u>607,810</u>
7,137	-	-	9,612	-	9,612
-	-	-	-	-	-
<u>7,137</u>	<u>-</u>	<u>-</u>	<u>9,612</u>	<u>-</u>	<u>9,612</u>
32,823	9,313	189,378	585,762	-	585,762
-	-	-	-	12,436	12,436
-	-	-	-	-	-
<u>32,823</u>	<u>9,313</u>	<u>189,378</u>	<u>585,762</u>	<u>12,436</u>	<u>598,198</u>
<u>39,960</u>	<u>9,313</u>	<u>189,378</u>	<u>595,374</u>	<u>12,436</u>	<u>607,810</u>

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Elections Chapter 19	Records Mgmt and Preservation	County Specialty Court	Court Technology Fund
REVENUES				
Taxes	-	-	-	-
Intergovernmental	11,964	-	-	-
Fines & Forfeitures	-	-	-	-
Charges for Services	-	21,465	80	10,687
Interest Income	24	108	-	-
Miscellaneous	-	-	-	-
Total Revenues	11,988	21,573	80	10,687
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	11,988	21,573	80	10,687
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(14,900)	(1,050)	(11,030)
Total Other Financing Sources (Uses)	-	(14,900)	(1,050)	(11,030)
Net Change In Fund Balances	11,988	6,673	(970)	(343)
Fund Balances at Beginning of Year	2,751	15,996	970	11,030
Fund Balances at End of Year	14,739	22,669	-	10,687

SPECIAL REVENUE FUNDS

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	SPECIAL REVENUE FUNDS		
	Alternate Dispute Resolution	Local Truancy Prevention Fund	Abandoned Vehicle Fund
REVENUES			
Taxes	-	-	-
Intergovernmental	-	-	-
Fines & Forfeitures	-	-	74,035
Charges for Services	-	-	-
Interest Income	-	-	1,201
Miscellaneous	-	-	107,699
Total Revenues	-	-	182,935
EXPENDITURES			
Current			
General Administration	-	-	-
Judicial	-	-	-
Elections	-	-	-
Financial Administration	-	-	-
Public Facilities	-	-	-
Public Safety	-	-	42,672
Environmental Protection	-	-	-
Public Transportation	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Conservation	-	-	-
Debt Service			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	-	-	42,672
Excess (Deficiency) of Revenues Over Expenditures			140,263
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(3,600)	(405)	-
Total Other Financing Sources (Uses)	(3,600)	(405)	-
Net Change In Fund Balances	(3,600)	(405)	140,263
Fund Balances at Beginning of Year	3,600	405	140,274
Fund Balances at End of Year	-	-	280,537

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DEBT SERVICE FUND

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**MC MULLEN COUNTY, TEXAS
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	12,436	6,597
Receivables	-	-
Taxes Receivable	-	-
TOTAL ASSETS	<u><u>12,436</u></u>	<u><u>6,597</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Deferred Tax Revenues	-	-
Advanced Tax Collections	-	-
Due to Other Funds	-	-
Total Liabilities	<u><u>-</u></u>	<u><u>-</u></u>
 FUND BALANCES		
Committed for Debt Service	12,436	6,597
Total Fund Balances	<u><u>12,436</u></u>	<u><u>6,597</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>12,436</u></u>	<u><u>6,597</u></u>

MC MULLEN COUNTY, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES		
Taxes	-	-
Licenses and Permits	-	-
Intergovernmental	-	-
Interest Income	361	1,042
Other	-	-
Total Revenues	361	1,042
 EXPENDITURES		
Current		
General Administration	-	-
Financial	-	-
Environmental Protection	-	-
Public Safety	-	-
Conservation	-	-
Debt Service		
Principal Retirement	1,345,000	1,310,000
Interest and Fiscal Charges	149,522	189,480
Total Expenditures	1,494,522	1,499,480
 Excess (Deficiency) of Revenues Over Expenditures	 (1,494,161)	 (1,498,438)
 OTHER FINANCING SOURCES (USES)		
Transfers In	1,500,000	1,500,000
Transfers Out	-	-
Total Other Financing Sources (Uses)	1,500,000	1,500,000
 Net Change in Fund Balance	 5,839	 1,562
Fund Balance at Beginning of Year	6,597	5,035
Fund Balance at End of Year	12,436	6,597

CAPITAL PROJECTS FUND (TAX NOTES)

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**MC MULLEN COUNTY, TEXAS
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND (TAX NOTES)
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	-	2,066,409
Receivables	-	-
Due From Other Funds	-	-
TOTAL ASSETS	<u><u>-</u></u>	<u><u>2,066,409</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	44,216
Due to Other Funds	-	-
Total Liabilities	<u><u>-</u></u>	<u><u>44,216</u></u>
 FUND BALANCES		
Restricted for Capital Projects	<u><u>-</u></u>	<u><u>2,022,193</u></u>
Total Fund Balances	<u><u>-</u></u>	<u><u>2,022,193</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>-</u></u>	<u><u>2,066,409</u></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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Interest Income	1,881	42,853
Other	-	7,082
Total Revenues	<u>1,881</u>	<u>49,935</u>
 EXPENDITURES		
Current		
General Administration	64,140	88,902
Public Facilities	-	-
Public Safety	23,977	66,720
Environmental Protection	-	16,244
Public Transportation	1,620,870	877,806
Culture and Recreation	315,087	245,872
Health and Welfare	-	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>2,024,074</u>	<u>1,295,544</u>
 Excess (Deficiency) of Revenues Over Expenditures	<u>(2,022,193)</u>	<u>(1,245,609)</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	<u>(2,022,193)</u>	<u>(1,245,609)</u>
Fund Balance (Deficits) at Beginning of Year	<u>2,022,193</u>	<u>3,267,802</u>
Fund Balance (Deficits) at End of Year	<u>-</u>	<u>2,022,193</u>

MC MULLEN COUNTY, TEXAS
 COMPARATIVE BALANCE SHEETS
 CAPITAL PROJECTS FUND
 DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	4,659,880	-
Receivables		
Taxes Receivable	-	-
Due From Others	-	-
Due From Other Funds	-	-
Prepaid Expense	-	-
TOTAL ASSETS	<u>4,659,880</u>	<u>-</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	520,891	-
Deferred Tax Revenues	-	-
Deferred and Unearned Income	-	-
Advanced Tax Collections	-	-
Due to Others	-	-
Due to Other Funds	-	-
Accrued Wages	-	-
Total Liabilities	<u>520,891</u>	<u>-</u>
 FUND BALANCES		
Committed for Capital Projects	4,138,989	-
Unreserved - Undesignated, Reported In:		
General Fund	-	-
Special Revenue Funds	-	-
Total Fund Balances	<u>4,138,989</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>4,659,880</u>	<u>-</u>

MC MULLEN COUNTY, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Taxes	-	-
Licenses and Permits	-	-
Intergovernmental	-	-
Interest Income	23,816	-
Other	-	-
Total Revenues	<u>23,816</u>	<u>-</u>
EXPENDITURES		
Current		
General Administration	960,737	-
Public Facilities	-	-
Public Safety	40,134	-
Environmental Protection	-	-
Public Transportation	4,399,383	-
Culture and Recreation	184,573	-
Health and Welfare	-	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>5,584,827</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,561,011)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Tax Note Proceeds	-	-
Transfers In	9,700,000	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>9,700,000</u>	<u>-</u>
Net Change in Fund Balance	4,138,989	-
Fund Balance (Deficits) at Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance (Deficits) at End of Year	<u>4,138,989</u>	<u>-</u>

ROAD AND BRIDGE SUB-FUNDS

MC MULLEN COUNTY, TEXAS
SCHEDULE - COMBINING BALANCE SHEET
ROAD AND BRIDGE SUB-FUNDS
DECEMBER 31, 2022

	ROAD AND BRIDGE		
	Road and Bridge Precinct 1	Road and Bridge Precinct 2	Road and Bridge Precinct 3
ASSETS			
Cash and Cash Equivalents	3,807,238	2,741,688	3,786,650
Receivables			
Taxes Receivable, Net	-	-	-
Grant Receivable	-	-	-
Due from County Officials	943	943	943
Due from Other Funds	-	-	-
Total Assets	<u>3,808,181</u>	<u>2,742,631</u>	<u>3,787,593</u>
LIABILITIES			
Accounts Payable	8,209	7,523	11,059
Accrued Wages	11,866	7,791	6,852
Due to Other Funds	-	-	-
Total Liabilities	<u>20,075</u>	<u>15,314</u>	<u>17,911</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Property Taxes	-	-	-
Deferred Revenues - Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Committed	3,788,106	2,727,317	3,769,682
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>3,808,181</u>	<u>2,742,631</u>	<u>3,787,593</u>

SUB-FUNDS

Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
2,833,431	91,551	13,260,558
-	-	-
-	-	-
943	-	3,772
-	-	-

<u>2,834,374</u>	<u>91,551</u>	<u>13,264,330</u>
------------------	---------------	-------------------

28,229	-	55,020
7,791	-	34,300
-	-	-
<u>36,020</u>	<u>-</u>	<u>89,320</u>

-	-	-
-	-	-
-	-	-

2,798,354	91,551	13,175,010
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<u>2,834,374</u>	<u>91,551</u>	<u>13,264,330</u>
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**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, 2022**

	ROAD AND BRIDGE	
	Road and Bridge Precinct 1	Road and Bridge Precinct 2
REVENUES		
Taxes	-	-
Licenses and Permits	17,897	17,897
Intergovernmental	7,138	7,138
Interest Income	27,170	20,910
Other	4,397	6,182
Total Revenues	56,602	52,127
EXPENDITURES		
Current		
Public Transportation:		
Road and Bridge	566,407	392,137
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	566,407	392,137
Excess (Deficiency) of Revenues Over Expenditures	(509,805)	(340,010)
OTHER FINANCING SOURCES (USES)		
Transfers In - From General Fund	-	-
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)	-	-
Net Change in Fund Balances	(509,805)	(340,010)
Fund Balances at Beginning of Year	4,297,911	3,067,327
Fund Balances at End of Year	3,788,106	2,727,317

SUB-FUNDS

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
-	-	-	-
17,897	17,897	-	71,588
7,138	7,138	10,198	38,750
28,866	26,161	205	103,312
14,087	2,237	-	26,903
<u>67,988</u>	<u>53,433</u>	<u>10,403</u>	<u>240,553</u>
650,155	1,544,656	-	3,153,355
-	-	-	-
<u>650,155</u>	<u>1,544,656</u>	<u>-</u>	<u>3,153,355</u>
(582,167)	(1,491,223)	10,403	(2,912,802)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(582,167)	(1,491,223)	10,403	(2,912,802)
<u>4,351,849</u>	<u>4,289,577</u>	<u>81,148</u>	<u>16,087,812</u>
<u>3,769,682</u>	<u>2,798,354</u>	<u>91,551</u>	<u>13,175,010</u>

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FIDUCIARY FUNDS

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 DECEMBER 31, 2022

	County Clerk	District Clerk	Justice of the Peace
ASSETS			
Cash and Cash Equivalents	10,934,428	3,786	-
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Total Assets	<u>10,934,428</u>	<u>3,786</u>	<u>-</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	-	-	-
Due to Others	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for individuals or organizations	<u>10,934,428</u>	<u>3,786</u>	<u>-</u>
Total Net Position	<u>10,934,428</u>	<u>3,786</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>
(2,602)	11,419	112,204	103,763	11,162,998
-	-	-	-	-
-	-	-	-	-
<u>(2,602)</u>	<u>11,419</u>	<u>112,204</u>	<u>103,763</u>	<u>11,162,998</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,602)</u>	<u>11,419</u>	<u>112,204</u>	<u>103,763</u>	<u>11,162,998</u>
<u>(2,602)</u>	<u>11,419</u>	<u>112,204</u>	<u>103,763</u>	<u>11,162,998</u>

MC MULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR DECEMBER 31, 2022

	<u>County Clerk</u>	<u>District Clerk</u>	<u>Justice of the Peace</u>
ADDITIONS			
Contributions:			
From other governments	-	-	-
From individuals	1,306,016	11,087	590,372
Investment interest	26,500	13	272
Taxes and fees collected from other governments	-	-	-
Miscellaneous	-	-	-
Total Additions	1,332,517	11,100	590,644
DEDUCTIONS			
Recipient payments	204,092	11,652	590,644
Administrative expenses	139	-	-
Public safety	-	-	-
Total Deductions	204,231	11,652	590,644
Net increase (decrease) in fiduciary net position	1,128,286	(552)	-
Net position - beginning	9,806,142	4,338	-
Net position - ending	10,934,428	3,786	-

Tax Collector	Volunteer Fire Dept	Permanent School Fund	Permanent Undistributed Fund	TOTAL
-	33,080	-	-	33,080
-	8,730	-	-	1,916,205
6,303	38	-	109	33,235
51,254,721	-	-	-	51,254,721
-	-	-	-	-
51,261,024	41,848	-	109	53,237,241
51,265,123	-	-	-	52,071,511
-	-	-	-	139
-	40,685	-	-	40,685
51,265,123	40,685	-	-	52,112,335
(4,099)	1,163	-	109	1,124,907
1,497	10,256	112,204	103,654	10,038,091
(2,602)	11,419	112,204	103,763	11,162,998

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COMPLIANCE SECTION

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418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

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, 2022 and the related notes to the financial statements, which collectively comprise McMullen County, Texas' basic financial statements, and have issued our report thereon dated July 10, 2024.

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 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

Lovvorn & Kieschnick, LLP

July 10, 2024

MCMULLEN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

2. Federal Awards

A Single Audit was not required in the current year

B. Financial Statement Findings

NONE

C. State Award Findings and Questioned Costs

NONE

MCMULLEN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

McMULLEN COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Program</u>	<u>Corrective Action Plan</u>
There were no findings or questioned costs in the current year.	No corrective action required