



Financial Statements
September 30, 2020
McCulloch County

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Independent Auditor's Report

The Honorable Judge and
Members of the Commissioners' Court
McCulloch County
Brady, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCulloch County, (the County), as of and for the year September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan schedules on pages 4 through 12 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
February 26, 2021

This section of McCulloch County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$17,257,764 at September 30, 2020. Of this amount, \$10,643,889 is invested in capital assets, net of related debt, \$20,359 is restricted for debt service, \$383,710 is restricted for pension, and \$1,073,810 is restricted for other purposes. Unrestricted net position is \$5,135,996.
- During the year, the County's expenses were \$1,390,203 less than the \$8,712,935 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$4,171,396.

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 supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how it has changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the governmental activities. Most of the County's basic services are included here, such as general administration, judicial, public safety, and facilities. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following types of funds:

- Governmental funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that help the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary funds - The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position can serve over time as a useful indicator of a government's financial position. In the case of McCulloch County, assets exceeded liabilities by \$17,257,764 at the close of the fiscal year ended September 30, 2020.

A portion of the County's net position (60.8%) comprises capital assets (for example, land, infrastructure, and buildings), net of the outstanding debt issued to finance their acquisition. The County uses these capital assets to provide services to citizens, and consequently, the assets are not available for future spending. Although, as mentioned, the County's investment in capital assets is reported net of related debt, it should be noted that the resources to re-pay this debt must be provided from other sources since the capital assets themselves cannot be used to do so. Total restricted net position is \$1,477,879 of which \$20,359 is restricted for debt service, \$383,710 is restricted for the pension plan, \$51,417 is restricted for election equipment, \$1,790 is restricted for CETRZ grant road projects, \$150,029 is restricted for special ad valorem road projects, \$351,293 is restricted for the library, \$51,187 is restricted for the law library, \$4,519 is restricted for hot check reimbursement, \$884 is restricted for specially designated road repair projects, \$75,058 is restricted for archive fees, \$11,101 is

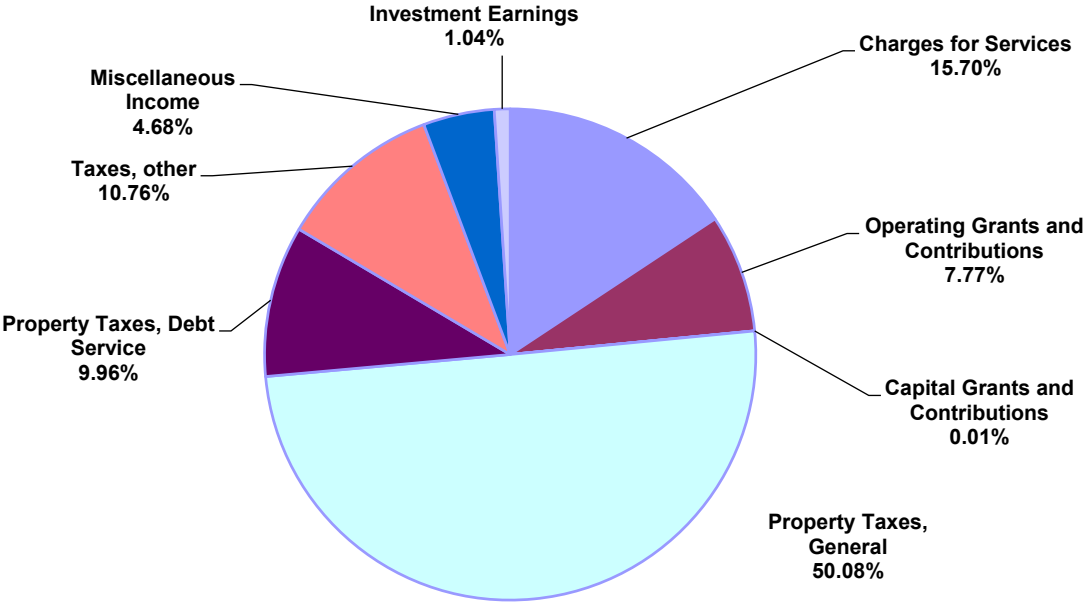
restricted for court records preservation, \$78,799 is restricted for covering courthouse security cost, \$68,798 is restricted for pre-trial diversion programs, \$72,307 is restricted for records management, \$24,988 is restricted for restoration and preservation of County property, \$64,819 is restricted for County technology fees, \$4,753 is restricted for County video fees, \$19,000 is restricted for dam maintenance, \$7,400 is restricted for probate training, \$3,037 is restricted for a salary supplement excess for the county judge received from the state, \$29,226 is restricted for renting voting equipment, \$581 is restricted for child abuse prevention, \$200 is restricted for truancy court, and \$2,624 is restricted for court reporter fees. The remaining balance of net position, \$3,665,185, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 4,826,108	\$ 2,897,262
Investments	410,000	460,000
Receivables (net of allowance for uncollectibles)		
Taxes	115,006	121,395
Fines, fees, and court costs	507,240	416,435
Grants	126,968	-
Other	72,297	121,192
Due from fiduciary funds	15,582	-
Total current assets	6,073,201	4,016,284
Capital assets		
Land	200,615	200,615
Infrastructure	1,928,955	1,928,955
Buildings and improvements	21,209,147	21,209,147
Furniture and equipment	4,155,553	3,739,957
Vehicles	570,190	631,851
Less accumulated depreciation	(5,663,483)	(4,807,167)
Total capital assets	22,400,977	22,903,358
Noncurrent assets		
Net pension asset	460,732	-
Cash and cash equivalents - restricted	974,055	1,528,381
Total noncurrent assets	23,835,764	24,431,739
Total assets	29,908,965	28,448,023
Deferred outflows of resources - pension	131,074	470,175
Total assets and deferred outflows of resources	\$ 30,040,039	\$ 28,918,198

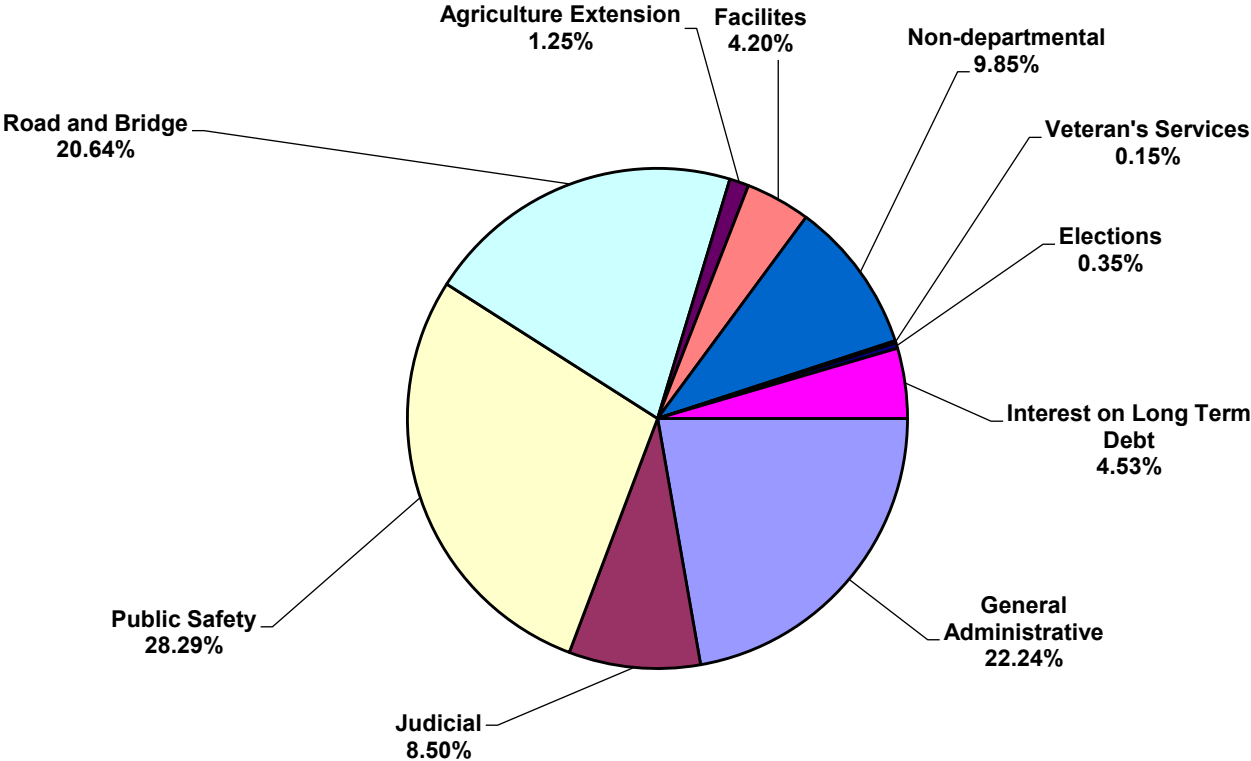
	Governmental Activities	
	2020	2019
Current liabilities		
Accounts payable and other current liabilities	\$ 118,760	\$ 134,503
Payroll liabilities	27,204	18,142
Accrued wages payable	53,214	26,636
Accrued interest payable	55,659	103,075
Due to other governments	128,140	107,273
Due to fiduciary funds	-	23,107
Unearned revenue	148,000	-
Total current liabilities	<u>530,977</u>	<u>412,736</u>
Noncurrent liabilities		
Due within one year	810,095	764,899
Due in more than one year	11,233,107	11,746,297
Net pension liability	-	60,328
Total noncurrent liabilities	<u>12,043,202</u>	<u>12,571,524</u>
Total liabilities	<u>12,574,179</u>	<u>12,984,260</u>
Deferred inflows of resources - pension	<u>208,096</u>	<u>66,377</u>
Net position		
Net investment in capital assets	10,643,889	10,709,086
Restricted	1,477,879	1,493,290
Unrestricted	5,135,996	3,665,185
Total net position	<u>17,257,764</u>	<u>15,867,561</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 30,040,039</u>	<u>\$ 28,918,198</u>

The County's net position increased by \$1,390,203. Since the County presently engages in no business-type activities, governmental activities account for all of the changes in net position at the government-wide reporting level.

Governmental Activities: The County's total revenues were \$8,712,935. A significant portion, 60.04%, of the County's revenue comes from property taxes. 15.70% comes from charges for services, and 7.77% comes from operating and capital grants and contributions.



The total cost of all County programs and services was \$7,322,732. 8.50% of these costs are for judicial services, 28.29% are for public safety, 20.64% for general administrative, and 20.64% are for road and bridge.



	Governmental Activities	
	2020	2019
Program Revenues		
Charges for services	\$ 1,369,440	\$ 1,415,285
Operating grants and contributions	678,148	442,792
Capital grants and contributions	796	184,076
General Revenues		
Property taxes, levied for general purposes	4,369,159	3,783,281
Property taxes, levied for debt service	868,608	623,769
Taxes, other	938,964	651,130
Miscellaneous income	284,925	269,277
Investment income	90,431	127,553
Gain on disposal of assets	112,464	276,144
Total revenues	<u>8,712,935</u>	<u>7,773,307</u>
Expenses		
General administrative	1,628,815	1,585,013
Judicial	622,767	724,884
Public safety	2,071,630	1,754,144
Road and bridge	1,511,133	1,133,166
Ag extension	91,320	100,334
Facilities	307,820	108,405
Non-departmental	721,027	694,575
Veteran's service office	11,040	11,268
Elections	25,413	20,440
Debt service - interest on long-term debt	331,767	389,208
Total expenses	<u>7,322,732</u>	<u>6,521,437</u>
Change in Net Position	1,390,203	1,251,870
Beginning Balance, Net Position	<u>15,867,561</u>	<u>14,615,691</u>
Ending Balance, Net Position	<u>\$ 17,257,764</u>	<u>\$ 15,867,561</u>

The cost of all governmental activities this year was \$7,322,732.

However, the amount that our taxpayers paid for these activities through property taxes was only \$5,237,767. Some of the cost was paid by those who directly benefited from the programs (\$1,369,440) or by grants and contributions (\$678,944).

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, McCulloch County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The general governmental functions are reported in the general, capital projects, debt service, 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 the County's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$6,180,338, an increase of \$1,266,226 in comparison with the prior year. Of the total ending fund balances, \$4,119,979 constitutes unassigned fund balance, \$670,724 constitutes assigned fund balance, and \$1,389,635 constitutes restricted fund balance. Unassigned fund balance is available for spending at the County's discretion, assigned fund balance represents amounts that may only be used for special revenue fund purposes, committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by the Commissioners' Court, and restricted fund balance represents amounts that can be used only for the specific purposes of debt service, permanent improvements, and special road projects.

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 \$4,119,979. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 94.17% of total general fund expenditures and total general fund balance represents 95.35% of total general fund expenditures.

The fund balance of the County's general fund increased by \$1,244,797 during the current fiscal year.

General Fund Budgetary Highlights

The County budget is prepared in accordance with accounting principles generally accepted in the United States. The budget is prepared by the County Judge and approved by the Commissioners' Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure type level. Budgetary transfers between expenditure types must be approved by the Commissioners' Court.

During the year, some expenditures were more than budgetary estimates. Major negative variances include:

- Transfers were more than budget by \$738,585.
- Capital outlay exceeded the budget by \$59,161.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of 2020, the County had invested \$22,400,977 in a broad range of capital assets, including equipment, buildings, and vehicles. More detailed information about the County's capital assets is presented in Note 5 to the financial statements on page 31.

	Governmental Activities	
	2020	2019
Land	\$ 200,615	\$ 200,615
Infrastructure	1,928,955	1,928,955
Buildings and improvements	21,209,147	21,209,147
Furniture and equipment	4,155,553	3,739,957
Vehicles	570,190	631,851
Total at historical cost	28,064,460	27,710,525
Total accumulated depreciation	(5,663,483)	(4,807,167)
Net capital assets	\$ 22,400,977	\$ 22,903,358

LONG-TERM DEBT

Long-Term Debt. At year-end, the County had \$12,043,202 in notes payable, capital leases, compensated absences, and bonds payable outstanding, as shown in the table below. More detailed information about the County's debt is presented in Note 8 to the financial statements on pages 33 through 37.

	Governmental Activities	
	2020	2019
Notes payable	\$ 95,837	\$ 214,472
Capital leases payable	1,478,397	1,281,788
Compensated absences	41,928	18,206
Bonds payable	10,427,040	10,996,730
Total long-term debt	\$ 12,043,202	\$ 12,511,196

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County should maintain its financial health during the 2021 fiscal year. Taxable values for the County have increased, and budgeted expenditures for next fiscal year are approximately the same as they were for the 2020 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office at: County Treasurer, 199 Courthouse Square RM 301, Brady, Texas 76825.

McCulloch County
Statement of Net Position
September 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,826,108
Investments	410,000
Receivables (net of allowances)	
Taxes	115,006
Fines and fees	507,240
Grants	126,968
Other	72,297
Due from fiduciary funds	15,582
Net pension asset	460,732
Capital assets	
Nondepreciable	200,615
Depreciable, net	22,200,362
Restricted assets	
Pooled cash and cash equivalents	974,055
Total assets	29,908,965
Deferred Outflows of Resources	
Deferred outflows - pensions	131,074
Total assets and deferred outflows of resources	30,040,039
Liabilities	
Accounts payable and other current liabilities	118,760
Payroll liabilities	27,204
Accrued wages payable	53,214
Accrued interest payable	55,659
Due to other governments	128,140
Unearned revenue	148,000
Noncurrent liabilities	
Due within one year	810,095
Due in more than one year	11,233,107
Total liabilities	12,574,179
Deferred Inflows of Resources	
Deferred inflows - pensions	208,096
Total liabilities and deferred inflows of resources	12,782,275
Net Position	
Net investment in capital assets	10,643,889
Restricted for debt service	20,359
Restricted for pension	383,710
Restricted for other purposes	1,073,810
Unrestricted	5,135,996
Total net position	\$ 17,257,764

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General administrative	\$ 1,628,815	\$ 577,253	\$ 122,437	\$ 796
Judicial	622,767	314,143	-	-
Public safety	2,071,630	25,663	-	-
Road and bridge	1,511,133	452,381	555,711	-
Ag extension	91,320	-	-	-
Facilities	307,820	-	-	-
Non-departmental	721,027	-	-	-
Veteran's service office	11,040	-	-	-
Elections	25,413	-	-	-
Debt service - interest on long-term debt	331,767	-	-	-
Total governmental activities	<u>7,322,732</u>	<u>1,369,440</u>	<u>678,148</u>	<u>796</u>
Total primary government	<u>\$ 7,322,732</u>	<u>\$ 1,369,440</u>	<u>\$ 678,148</u>	<u>\$ 796</u>

General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes, other

Miscellaneous income

Investment income

Gain on disposal of capital assets

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and
Changes in Net Position
Primary Government

Governmental Activities	Total
\$ (928,329)	\$ (928,329)
(308,624)	(308,624)
(2,045,967)	(2,045,967)
(503,041)	(503,041)
(91,320)	(91,320)
(307,820)	(307,820)
(721,027)	(721,027)
(11,040)	(11,040)
(25,413)	(25,413)
(331,767)	(331,767)
(5,274,348)	(5,274,348)
(5,274,348)	(5,274,348)
4,369,159	4,369,159
868,608	868,608
938,964	938,964
284,925	284,925
90,431	90,431
112,464	112,464
6,664,551	6,664,551
1,390,203	1,390,203
15,867,561	15,867,561
\$ 17,257,764	\$ 17,257,764

	General Fund	Road and Bridge Fund	Debt Service Fund
Assets			
Cash and cash equivalents	\$ 3,920,919	\$ 557,299	\$ -
Investments	400,000	10,000	-
Receivables (net of allowances)			
Taxes	100,509	5,134	9,136
Fines and fees	492,845	14,395	-
Grants	-	126,968	-
Other	50,830	2,081	2,871
Due from other funds	15,582	15,215	-
Restricted Assets			
Cash and cash equivalents	-	-	64,011
Total assets	<u>\$ 4,980,685</u>	<u>\$ 731,092</u>	<u>\$ 76,018</u>
Liabilities			
Accounts payable and other current liabilities	\$ 60,610	\$ 55,650	\$ -
Payroll related liabilities	23,848	976	-
Accrued wages payable	46,372	6,842	-
Due to other governments	128,140	-	-
Due to other funds	15,215	-	-
Unearned revenue	148,000	-	-
Total liabilities	<u>422,185</u>	<u>63,468</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	22,399	-	4,379
Unavailable revenue - fines and fees	364,705	-	-
Total deferred inflows of resources	<u>387,104</u>	<u>-</u>	<u>4,379</u>
Fund Balances			
Restricted fund balance			
Debt service	-	-	71,639
Construction	-	-	-
Other restricted fund balance	51,417	-	-
Assigned fund balance			
Road and bridge	-	667,624	-
Other assigned fund balance	-	-	-
Unassigned fund balance	4,119,979	-	-
Total fund balances	<u>4,171,396</u>	<u>667,624</u>	<u>71,639</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,980,685</u>	<u>\$ 731,092</u>	<u>\$ 76,018</u>

See Notes to Financial Statements

McCulloch County
Balance Sheet – Governmental Funds
September 30, 2020

Nonmajor Governmental Funds	Total Governmental Funds
\$ 347,890	\$ 4,826,108
-	410,000
227	115,006
-	507,240
-	126,968
16,515	72,297
-	30,797
<u>910,044</u>	<u>974,055</u>
<u>\$ 1,274,676</u>	<u>\$ 7,062,471</u>
\$ 2,500	\$ 118,760
2,380	27,204
-	53,214
-	128,140
-	15,215
-	148,000
<u>4,880</u>	<u>490,533</u>
117	26,895
-	364,705
<u>117</u>	<u>391,600</u>
-	71,639
244,186	244,186
1,022,393	1,073,810
-	667,624
3,100	3,100
-	4,119,979
<u>1,269,679</u>	<u>6,180,338</u>
<u>\$ 1,274,676</u>	<u>\$ 7,062,471</u>

McCulloch County
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 September 30, 2020

Total Fund Balances - Governmental Funds Balance Sheet \$ 6,180,338

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.

Governmental capital assets	\$ 28,064,460	
Accumulated depreciation	<u>(5,663,483)</u>	22,400,977

Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position. 391,600

Long-term liabilities, including bonds payable and compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position. (12,043,202)

Payables for bond interest which are not due in the current period are not reported in the funds. The net effect is a decrease in net position. (55,659)

Included in the items related to debt is the recognition of the County's net pension asset in the amount of \$460,732, a deferred outflow of resources of \$131,074, and a deferred inflow of resources of \$208,096. The net effect is an increase in net position. 383,710

Net position of governmental activities - Statement of Net Position \$ 17,257,764

	General Fund	Road and Bridge Fund	Debt Service Fund
Revenues			
Property taxes	\$ 4,336,858	\$ -	\$ 866,247
Other taxes	938,964	-	-
Fines and fees	568,428	434,033	-
Intergovernmental, grants, and contributions	123,233	555,711	-
Investment earnings	55,097	22,241	2,191
Miscellaneous	220,075	2,417	1,233
Total revenues	6,242,655	1,014,402	869,671
Expenditures			
Current			
General administrative	939,240	-	-
Judicial	630,983	-	-
Public safety	1,711,515	-	-
Road and Bridge	-	1,184,341	-
Agriculture extension service	91,925	-	-
Facilities	163,199	-	-
Non-departmental	653,664	-	-
Veteran's service office	11,040	-	-
Elections	25,413	-	-
Debt service			
Principal	74,967	115,493	554,000
Interest and fiscal charges	10,071	64,770	320,032
Capital outlay	63,035	319,515	-
Total expenditures	4,375,052	1,684,119	874,032
Excess (deficiency) of revenue over expenditures	1,867,603	(669,717)	(4,361)
Other financing sources (uses)			
Proceeds from capital leases	81,232	793,082	-
Proceeds from note payable	51,417	-	-
Proceeds from sale of capital assets	13,678	109,935	-
Payment on refinanced capital leases	(30,548)	(626,749)	-
Transfers in (out)	(738,585)	601,539	-
Total other financing sources (uses)	(622,806)	877,807	-
Net change in fund balances	1,244,797	208,090	(4,361)
Fund balances at beginning of year	2,926,599	459,534	76,000
Fund balances at end of year	\$ 4,171,396	\$ 667,624	\$ 71,639

See Notes to Financial Statements

McCulloch County
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended September 30, 2020

Nonmajor Governmental Funds	Total Governmental Funds
\$ 19,497	\$ 5,222,602
-	938,964
311,436	1,313,897
-	678,944
10,902	90,431
61,200	284,925
<u>403,035</u>	<u>8,529,763</u>
493,440	1,432,680
718	631,701
-	1,711,515
-	1,184,341
-	91,925
144,621	307,820
-	653,664
-	11,040
-	25,413
-	744,460
-	394,873
83,602	466,152
<u>722,381</u>	<u>7,655,584</u>
<u>(319,346)</u>	<u>874,179</u>
-	874,314
-	51,417
-	123,613
-	(657,297)
137,046	-
<u>137,046</u>	<u>392,047</u>
(182,300)	1,266,226
<u>1,451,979</u>	<u>4,914,112</u>
<u>\$ 1,269,679</u>	<u>\$ 6,180,338</u>

McCulloch County

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$1,266,226
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	508,761
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(999,993)
Proceeds from the disposition of fixed assets are recorded as revenue to the fund financial statements, but the remaining net book value of disposed assets must be removed from the government-wide financial statements. The net effect of removing the remaining net book value of disposed assets is to decrease net position.	(11,149)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in an increase in net position.	70,708
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.	1,401,757
The net increase in compensated absences payable is a decrease to net position.	(23,722)
Governmental funds report the effect of bond proceeds and issuance of other long-term debt, including capital leases, when debt is first issued. These amounts are deferred and amortized in the statement of activities which results in a decrease in net position.	(925,731)
The net decrease in accrued interest payable of \$47,416 increases net position.	47,416
Bond premiums are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.	15,690
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Increase in contributions made after the measurement date caused the change in net position to increase in the amount of \$15,501. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$40,240. The net effect is an increase in net position.	<u>40,240</u>
Change in net position of governmental activities - Statement of Activities	<u><u>\$1,390,203</u></u>

McCulloch County
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 569,627
Accounts receivable	5,387
	<hr/>
Total assets	\$ 575,014
	<hr/> <hr/>
Liabilities	
Accounts payable	\$ 86,709
Due to others	472,723
Due to other funds	15,582
	<hr/>
Total liabilities	\$ 575,014
	<hr/> <hr/>

Note 1 - Summary of Significant Accounting Policies

The financial statements of McCulloch County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's basic financial statements.

Reporting Entity

The County is a public Corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (County attorney, etc.), public safety (sheriff, jail, etc.), and transportation.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

1. the organization is legally separate (can sue and be sued in its name)
2. the County holds the corporate powers of the organization
3. the County appoints a voting majority of the organization's board
4. the County is able to impose its will on the organization
5. the organization has the potential to impose a financial benefit/burden on the County
6. there is fiscal dependency by the organization on the County
7. the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units, or its constituents, 2) the County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and 3) such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities.

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

Fund Financial Statements

The fund financial statements provide information about the County's funds with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds with each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General fund – This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Road and bridge fund – This fund accounts for financial resources to be used in the operations of the four county precincts.

Debt service fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

In addition, the County reports the following nonmajor governmental funds:

Special revenue funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Permanent improvement fund – This fund accounts for financial resources to be used for the acquisition or construction of road and bridge projects.

Agency Funds

These funds are used to report funds of the County's fee offices and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification is received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds.

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property taxes revenue and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available at that time. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs expenditures or expenses for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Cash and Cash Equivalents

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. The appraisal of property within the County is the responsibility of the McCulloch County Appraisal County as required by legislation passed by the Texas Legislature. The Appraisal County is required under such legislation to assess all property with the County on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the fiscal 2019-2020 levy was based was approximately \$662,696,800. The combined tax rate to finance general governmental services, including debt service, for the year ended September 30, 2020, was \$0.78 per \$100 of assessed valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year. Current tax collections for the year were 98.34% of the tax levy.

Allowances for uncollectible tax receivables within the general and debt service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$7,500 is used.

Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	20-50
Infrastructure	5-50
Vehicles	5
Furniture and equipment	2-15

Receivables and Payable Balances

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

The County expects that the following receivables will not be collected within one year:

Property taxes	\$ 26,895
Fines and fees	364,705
	\$ 391,600

Compensated Absences

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

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

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

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

Pensions

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows/Outflows of Resources

The County reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the balance of deferred inflows of resources is removed from the balance sheet and revenue is recognized.

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fair Value Measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 2 - Restricted Assets

Restricted cash and cash equivalents consisted of the following at September 30, 2020:

Description	Amount
Debt service	64,011
Enabling legislation	910,044
Total	\$ 974,055

Note 3 - Deposits and Investments

The County’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County’s agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

The County’s cash deposits at September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the County’s bank in the County’s name.

The County's funds in West Texas Rural Counties Association (WTRCA) in the Designated Member Equity Fund at September 30, 2020 are shown below.

West Texas Rural Counties Association - Designated Member Equity Fund

	Balance 9/30/2019	Deposits	Withdrawals	Balance 9/30/2020
Precinct 1	\$ 134,698	\$ -	\$ (83,675)	\$ 51,023
Precinct 2	-	30,000	-	30,000
Precinct 3	33,674	-	(33,674)	-
Precinct 4	-	20,000	-	20,000
	\$ 168,372	\$ 50,000	\$ (117,349)	\$ 101,023

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

Investments

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

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies and that the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchasing agreements, banker's acceptance, mutual funds, investment pools, guaranteed investment contracts, and common trust funds.

The County's investments at September 30, 2020 are shown below.

Investment or Investment Type	Maturity	Amount
Certificates of Deposit	less than one year	\$ 410,000
		<u>\$ 410,000</u>

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

Concentration of Credit Risk

The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note 4 - Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental				Total Governmental Funds
	General Fund	Road and Bridge Funds	Debt Service Fund	Other Governmental Funds	
Receivables					
Taxes					
Property	\$ 109,551	\$ 5,134	\$ 17,945	\$ 511	\$ 133,141
Sales	54,203	-	-	-	54,203
Fines and fees	2,562,254	14,395	-	-	2,576,649
Grants	-	126,968	-	-	126,968
Other receivables	50,830	2,081	2,871	16,515	72,297
Total gross receivables	2,776,838	148,578	20,816	17,026	2,963,258
Less: Allowance					
Property taxes	(63,245)	-	(8,809)	(284)	(72,338)
Fines and fees	(2,069,409)	-	-	-	(2,069,409)
Net total receivables	<u>\$ 644,184</u>	<u>\$ 148,578</u>	<u>\$ 12,007</u>	<u>\$ 16,742</u>	<u>\$ 821,511</u>

Note 5 - Capital Assets

Capital asset activity for the period ended September 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 200,615	\$ -	\$ -	\$ 200,615
Total capital assets, not being depreciated	200,615	-	-	200,615
Capital assets, being depreciated				
Infrastructure	1,928,955	-	-	1,928,955
Buildings and improvements	21,209,147	-	-	21,209,147
Furniture and equipment	3,739,957	415,596	-	4,155,553
Vehicles	631,851	93,165	(154,826)	570,190
Total capital assets, being depreciated	27,509,910	508,761	(154,826)	27,863,845
Less accumulated depreciation for				
Infrastructure	(559,865)	(96,448)	-	(656,313)
Buildings and improvements	(2,508,971)	(491,242)	-	(3,000,213)
Furniture and equipment	(1,397,500)	(313,533)	-	(1,711,033)
Vehicles	(340,831)	(98,770)	143,677	(295,924)
Total accumulated depreciation	(4,807,167)	(999,993)	143,677	(5,663,483)
Total capital assets being depreciated, net	22,702,743	(491,232)	(11,149)	22,200,362
Governmental activities capital assets, net	<u>\$ 22,903,358</u>	<u>\$ (491,232)</u>	<u>\$ (11,149)</u>	<u>\$ 22,400,977</u>

Amortization expense on assets under capital lease is included in depreciation expense. Depreciation was charged to functions as follows:

General administrative	\$ 175,696
Public safety	421,729
Road and Bridge	333,187
Library	69,381
Total depreciation expense	<u>\$ 999,993</u>

Note 6 - Interfund Balances and Activity

Due to and from Other Funds

Due to and from other funds during the year ending September 30, 2020, consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
General fund	Agency fund	\$ 15,582	Short-term borrowing
Road and bridge funds	General fund	15,215	Short-term borrowing
	Total	<u>\$ 30,797</u>	

Transfers to and from Other Funds

Transfers to and from other funds during year ended September 30, 2020, consisted of the following:

Transfers from	Transfers to	Amount	Purpose
General fund	Road and bridge funds	\$ 433,167	Transfer tax revenue allocated to road and bridge funds
General fund	Nonmajor governmental	86,422	Supplement other funds
General fund	Nonmajor governmental	218,996	Supplement other funds
Nonmajor governmental	Road and bridge funds	168,372	Supplement other funds
	Total	<u>\$ 906,957</u>	

Note 7 - Lease Commitments

The County has operating lease obligations as of September 30, 2020, for copiers leased for the District Clerk, County Clerk, Sheriff's office, Ag Extension, Library, Justice of the Peace, Tax Assessor/Collector, and a copier split between the Treasurer and Judge. These lease obligations have been recorded in the General Fund. The County's future minimum lease commitments on these operating leases are as follows:

Year Ending September 30,	
2021	\$ 23,711
2022	19,863
2023	18,513
2024	<u>10,699</u>
Total	<u>\$ 72,786</u>

The County also rents a copier for the Courtroom. This rental is on a month to month basis with no rental commitment.

Note 8 - Long-Term Obligations

The County's long-term debt consists of general obligation certificates of obligations, notes payable, and capital leases. Other long-term obligations consist of the accrued liability for employee vested compensated absences.

Bonds Payable

On May 1, 2008, the County issued the McCulloch County Certificates of Obligation, Series 2008 in the amount of \$1,525,000 for restoration of the McCulloch County Courthouse. Principal amounts on these certificates are due and payable annually beginning June 1, 2009. Interest is due and payable semi-annually beginning December 1, 2008 at a rate of 3.797%. These certificates will be paid in full on June 1, 2023.

On March 15, 2017, the County issued the McCulloch County General Obligation Bonds, Series 2017 in the amount of \$9,355,000 for construction of the McCulloch County Law Enforcement Center. Principal amounts on these certificates are due and payable annually beginning February 15, 2018. Interest is due and payable semi-annually beginning February 15, 2018, at a rate of 2.99%. These bonds will be paid in full on February 15, 2037.

On May 5, 2019, the County issued the McCulloch County Tax Note, Series 2019 in the amount of \$1,305,000 for construction of the McCulloch County Library and completion of the McCulloch County Law Enforcement Center. Principal amounts on these notes are due and payable annually beginning February 15, 2020. Interest is due and payable semi-annually beginning February 15, 2020, at a rate of 2.39%. These notes will be paid in full on February 15, 2026.

Annual debt service requirements to maturity for bond payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 586,000	\$ 294,825	\$ 880,825
2022	606,000	277,153	883,153
2023	623,000	258,922	881,922
2024	649,000	238,021	887,021
2025	872,000	219,513	1,091,513
2026-2030	2,550,000	841,724	3,391,724
2031-2035	2,970,000	426,000	3,396,000
2036-2038	1,320,000	39,900	1,359,900
Totals	<u>\$ 10,176,000</u>	<u>\$ 2,596,058</u>	<u>\$ 12,772,058</u>

Notes Payable

On June 12, 2017, the County entered into a note agreement with Government Capital Corporation in the amount of \$72,380 at an annual interest rate of 4.121% for a period of three years for the purchase of vehicles for the Sheriff's office. Payments are due annually at an amount of \$26,099 with a final maturity in fiscal year 2020. Note was paid off in fiscal year 2020.

On February 23, 2018, the County entered into a note agreement with First Financial Bank of Abilene, TX in the amount of \$71,250 at an annual interest rate of 4.05% for a period of five years for the purchase of software for the Sheriff's office. Payments are due annually at an amount of \$16,022 with a final maturity in fiscal year 2023. Note was paid off in fiscal year 2020.

On April 23, 2018, the County entered into a note agreement with Citizens First Bank in the amount of \$119,209 at an annual interest rate of 4.413% for a period of four years for the purchase of a John Deere 33G Compact Track Loader with Mulcher. Payments are due annually at an amount of \$33,149 with a final maturity in fiscal year 2022. The County refinanced the original agreement and entered into a new capital lease agreement with American National Leasing Company in 2020.

On September 21, 2018, the County entered into a note agreement with First Financial Bank of Abilene, TX in the amount of \$51,469 at an annual interest rate of 4.841% for a period of five years for the purchase of a vehicle for the Extension office. Payments are due annually at an amount of \$12,559 for the first year and \$11,461 for the remaining four years, with a final maturity in fiscal year 2023. The County refinanced the original agreement and entered into a new capital lease agreement with American National Leasing Company in 2020.

On August 24, 2020, the County entered into a note agreement with Government Capital Corporation in the amount of \$51,417 at an annual interest rate of 3.395% for a period of five years for the purchase of election equipment for the County Clerk office. Payments are due annually at an amount of \$11,408 with a final maturity in fiscal year 2025.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 23,634	\$ 3,795	\$ 27,429
2022	24,781	2,649	27,430
2023	25,718	1,711	27,429
2024	10,671	737	11,408
2025	11,033	375	11,408
Totals	<u>\$ 95,837</u>	<u>\$ 9,267</u>	<u>\$ 105,104</u>

Capital Leases

On February 18, 2016, the County entered into a long-term capital lease agreement with John Deere Financial in the amount of \$248,810 at an annual imputed rate of interest of 2.97% for a period of five years for the purpose of acquiring a 2016 John Deere motor grader. Payments are due annually at an amount of \$24,289 with a final balloon payment of \$160,000 maturing in fiscal year 2021.

On October 4, 2018, the County entered into a long-term capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$193,890 at an annual imputed rate of interest of 5.350% for a period of five years for the purpose of acquiring a 2018 Caterpillar motor grader. The County refinanced the original agreement with a new capital lease agreement with American National Leasing Company on August 14, 2020, in the amount of \$183,338 at an annual imputed rate of interest of 2.65% for a period of four years. Payments are due annually at an amount of \$23,564 with a final balloon payment of \$102,000 maturing in fiscal year 2023.

On March 1, 2019, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$42,705 at an annual imputed rate of interest of 4.740% for a period of three years for the purpose of acquiring a 2019 Chevy Tahoe 4x4. Payments are due annually at an amount of \$12,745 with a final balloon payment of \$9,000 maturing in fiscal year 2022.

On April 30, 2019, the County entered into a long-term capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$415,400 for the purpose of acquiring two 2019 Caterpillar motor graders. The County refinanced the original agreement and entered into two new capital lease agreement with American National Leasing Company on August 14, 2020. Both leases are in the amount of \$196,103 at an annual imputed rate of interest of 2.85% for a period of five years. Payments are due annually on each lease at an amount of \$25,403 with a final balloon payment of \$88,384 for each lease, with maturity in fiscal year 2025.

On June 27, 2019, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$29,761 at an annual imputed rate of interest of 4.550% for a period of three years for the purpose of acquiring a 2019 Chevy 1500 Crew 4x4. Payments are due annually at an amount of \$7,970 with a final balloon payment of \$9,000 maturing in fiscal year 2022.

On June 27, 2019, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$38,557 at an annual imputed rate of interest of 4.550% for a period of three years for the purpose of acquiring a 2019 Chevy Tahoe 4x4. Payments are due annually at an amount of \$11,172 with a final balloon payment of \$9,000 maturing in fiscal year 2022.

On September 12, 2019, the County entered into a long-term capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$364,591 at an annual imputed rate of interest of 3.5% for a period of five years for the purpose of acquiring two 2019 Caterpillar motor graders. Payments are due annually at an amount of \$35,000 with a final balloon payment of \$249,922 maturing in fiscal year 2024.

On August 14, 2020, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$63,032 at an annual imputed rate of interest of 2.65% for a period of two years for the purpose of refinancing a John Deere 33G Compact Track Loader with Mulcher. Payments are due annually at an amount of \$32,389 maturing in fiscal year 2022.

On March 1, 2020, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$32,041 at an annual imputed rate of interest of 2.65% for a period of three years for the purpose of refinancing a vehicle for the Extension office. Payments are due annually at an amount of \$11,250 maturing in fiscal year 2023.

On August 14, 2020, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$154,506 at an annual imputed rate of interest of 2.85% for a period of five years for the purpose of acquiring a John Deere 770G Grader. Payments are due annually at an amount of \$5,256 with a final balloon payment of \$150,000 maturing in fiscal year 2025.

On July 29, 2020, the County entered into a long-term capital lease agreement with American National Leasing Company in the amount of \$49,191 at an annual imputed rate of interest 2.65% for a period of three years for the purpose of acquiring a 2019 Tahoe 4x4 for the Sheriff Department. Payments are due annual at an amount of \$14,351 with a final balloon payment of \$9,000 maturing in fiscal year 2023.

Future minimum lease payments under capital leases are as follows:

Year Ending September 30,		
2021	\$	388,793
2022		231,507
2023		149,231
2024		461,939
2025		382,841
 Total minimum lease payments		 1,614,311
 Less amount representing interest		 135,914
 Present value of minimum lease payments	 \$	 1,478,397

Total interest expense on capital leases for the year ended September 30, 2020, was \$53,071.

The following is an analysis of the leased assets:

Equipment	\$	1,845,802
Less accumulated depreciation		(466,283)
 Net value of leased assets	 \$	 1,379,519

Compensated Absences

County employees are entitled certain compensated absences based on their length of employment. Accrued compensated absences at September 30, 2020, totaled \$41,298.

Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable - Government Capital Corporation	\$ 25,066	\$ -	\$ (25,066)	\$ -	\$ -
Note payable - First Financial Bank	58,089	-	(13,669)	44,420	14,223
Note payable - Citizens First Bank	91,276	-	(91,276)	-	-
Note payable - First Financial Bank	40,041	-	(40,041)	-	-
Note payable - Government Capital	-	51,417	-	51,417	9,411
Total notes payable	214,472	51,417	(170,052)	95,837	23,634
Bonds payable - Bond Series 2008	490,000	-	(115,000)	375,000	120,000
Bonds payable - Bond Series 2017	8,935,000	-	(280,000)	8,655,000	290,000
Bonds payable - Bond Premium	266,730	-	(15,690)	251,040	-
Bonds payable - Tax Note Series 2019	1,305,000	-	(159,000)	1,146,000	176,000
Total bonds payable	10,996,730	-	(569,690)	10,427,040	586,000
Capital lease - American National Leasing	42,705	-	(10,715)	31,990	11,229
Capital lease - American National Leasing	29,761	-	(6,612)	23,149	6,917
Capital lease - American National Leasing	38,557	-	(9,413)	29,144	9,846
Capital lease - Caterpillar Financial Services	180,792	-	(11,656)	169,136	11,375
Capital lease - Caterpillar Financial Services	183,799	-	(11,656)	172,143	11,375
Capital lease - Caterpillar Financial Services	193,890	-	(193,890)	-	-
Capital lease - Caterpillar Financial Services	207,700	-	(207,700)	-	-
Capital lease - Caterpillar Financial Services	207,700	-	(207,700)	-	-
Capital lease - John Deere Financial	196,884	-	(18,363)	178,521	18,915
Capital lease - American National Leasing	-	63,032	-	63,032	31,478
Capital lease - American National Leasing	-	32,041	-	32,041	10,401
Capital lease - American National Leasing	-	183,338	-	183,338	21,927
Capital lease - American National Leasing	-	196,103	-	196,103	22,356
Capital lease - American National Leasing	-	196,103	-	196,103	22,356
Capital lease - American National Leasing	-	154,506	-	154,506	853
Capital lease - American National Leasing	-	49,191	-	49,191	13,047
Total capital leases payable	1,281,788	874,314	(677,705)	1,478,397	192,075
Compensated absences	18,206	23,722	-	41,928	8,386
Total governmental activities	<u>\$ 12,511,196</u>	<u>\$ 949,453</u>	<u>\$ (1,417,447)</u>	<u>\$ 12,043,202</u>	<u>\$ 810,095</u>

Note 9 - Pension Plan

Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and County Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted 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 8 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the 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. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the District’s Board within certain guidelines.

Membership. County membership in the TCDRS plan at December 31, 2019, consisted of the following:

Inactive Employees	
Receiving benefits	41
Entitled to but not receiving benefits	37
Active Employees	58

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

	Contribution Rates	
	2019	2020
Member	7.0%	7.0%
Employers	7.0%	7.0%
Employer Contributions		\$ 147,057
Member Contributions		147,057

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years or less
Asset Valuation Method	5-year smoothed value
Inflation	2.75%
Investment Return	8.00%
Salary Increases*	4.9% avg
Payroll Growth Rate	3.25% or less

**Includes Inflation of 2.75%*

*The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Disability rates for males and females were as follows:

Age	Male and Female Occupational	Male and Female All Other Causes
28-29	-	0.00008
30	-	0.00009
31-32	-	0.00010
33	-	0.00011
34	-	0.00014
35	0.00001	0.00018
36	0.00001	0.00022
37	0.00002	0.00028
38	0.00002	0.00033
39	0.00002	0.00038
40	0.00002	0.00042
41	0.00003	0.00047
42	0.00003	0.00053
43	0.00004	0.00058
44	0.00004	0.00063
45	0.00004	0.00069
46	0.00005	0.00076
47	0.00006	0.00084
48	0.00007	0.00095
49	0.00009	0.00109
50	0.00010	0.00125
51	0.00012	0.00142
52	0.00013	0.00162
53	0.00015	0.00183
54	0.00018	0.00203
55	0.00018	0.00222
56	0.00018	0.00238
57	0.00018	0.00250
58	0.00018	0.00259
59	0.00018	0.00270
60 and above	0.00018	-

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	0.045
45-49	0.090
50	0.010
51-53	0.009
54-57	0.100
58-61	0.120
62	0.200
63-64	0.150
65-66	0.250
67	0.220
68-69	0.200
70-74	0.220
75 & Over	1.000

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2013 - 2016. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2017 and first used in the December 31, 2017, actuarial valuation.

There were no changes in assumptions or methods reflected in the December 31, 2019 actuarial valuation.

Discount Rate

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

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation ¹	Geometric Real Rate of Return (Expected minus Inflation) ²
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities – Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities – Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

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

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

³Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁴Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

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

Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the County reported a net pension asset of \$460,732 measured at December 31, 2019. For the year ended September 30, 2020, the County recognized pension expense of \$106,816.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension (asset)/liability for the measurement year ended December 31, 2019, are as follows:

<u>Changes in Net Pension Liability / (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension (Asset)/Liability (a) - (b)</u>
Balances at December 31, 2018	\$ 5,556,663	\$ 5,496,335	\$ 60,328
Changes for the Year			
Service cost	181,152	-	181,152
Interest on total pension liability ¹	442,022	-	442,022
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	7,418	-	7,418
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(46,826)	(46,826)	-
Benefit payments	(525,822)	(525,822)	-
Administrative expenses	-	(4,630)	4,630
Member contributions	-	131,556	(131,556)
Net investment income	-	902,922	(902,922)
Employer contributions	-	131,556	(131,556)
Other ³	-	(9,752)	9,752
Balances as of December 31, 2019	<u>\$ 5,614,607</u>	<u>\$ 6,075,339</u>	<u>\$ (460,732)</u>

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

²No plan changes valued

³Relates to the allocation of system-wide items.

Discount Rate Sensitivity Analysis

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

	1% Decrease (7.1%)	Current Discount Rate (8.1%)	1% Increase (9.1%)
Total pension liability	\$ 6,288,329	\$ 5,614,607	\$ 5,046,959
Fiduciary net position	6,075,339	6,075,339	6,075,339
Net pension liability / (asset)	\$ 212,990	\$ (460,732)	\$ (1,028,380)

At December 31, 2019, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 44,251	\$ 5,563
Changes in actuarial assumptions	-	14,775
Net difference between projected and actual investment earnings	163,845	-
Contributions paid to TCDRS subsequent to the measurement date	-	110,736
Total	\$ 208,096	\$ 131,074

\$110,736 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows or resources related to pensions, will be recognized in pension expense as follows:

Year Ended September 30,	Pension Expense Amount
2021	\$ (54,511)
2022	(60,303)
2023	21,174
2024	(94,118)
2025	-
Thereafter	-
Total	\$ (187,758)

Note 10 - Commitments and Contingencies

Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The world-wide coronavirus pandemic has resulted in certain risks and uncertainties to the public in general and the County. The County is closely monitoring its operations, liquidity, and resources, and are actively working to minimize the current and future impact of this unprecedented situation.

Litigation

The County Attorney has indicated that there are no threatened litigation, claims, or assessments or unasserted claims and assessments against the County.

Note 11 - Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (the County's highest level of decision-making authority).

Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but that do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the County’s general fund and includes all spendable amounts not contained in the other classifications.

Restricted Fund Balance

At September 30, 2020, the restricted fund balance is composed of the following:

Debt service	\$	71,639
Permanent improvement		244,186
Election equipment		51,417
Special ad valorem		150,029
Library		351,293
Law library		51,187
Hot check		4,519
Special road repairs precinct 1 & 3		884
Archive fees		75,058
Court record preservation		11,101
Courthouse security		78,799
Pre-trial diversion		68,798
Records management		72,307
Restoration and preservation		24,988
Technology fees		64,819
Video fees		4,753
Conservation dam maintenance		19,000
Probate training		7,400
Salary supplement excess – county judge		3,037
CETRZ grant		1,790
Voting equipment rental		29,226
Child abuse prevention		581
Truancy court		200
Court reporter fees		2,624
		2,624
	\$	1,389,635

Committed Fund Balance

The County’s committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners’ Court. At September 30, 2020, the County had no fund balance committed by a formal action of the Commissioners’ Court.

Assigned Fund Balance

The Commissioners' Court has the authority to assign fund balance to each of the four road & bridge precincts. At September 30, 2020, the following amounts of fund balance have been assigned:

Road and bridge operations	\$	667,624
Conservation dam maintenance		3,000
Truancy Court		100
		<hr/>
	\$	670,724
		<hr/> <hr/>

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The County does not have a minimum fund balance policy.



Required Supplementary Information
September 30, 2020

McCulloch County

McCulloch County
 Budgetary Comparison Schedule – General Fund
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Property taxes	\$ 3,747,314	\$ 3,822,067	\$ 4,336,858	\$ 514,791
Other taxes	605,000	938,964	938,964	-
Fines and fees	386,900	572,901	568,428	(4,473)
Intergovernmental and grants	63,747	129,543	123,233	(6,310)
Investment earnings	40,000	55,097	55,097	-
Miscellaneous	80,960	234,104	220,075	(14,029)
Total revenues	4,923,921	5,752,676	6,242,655	489,979
Expenditures				
Current				
General administrative	1,003,442	1,016,621	939,240	77,381
Judicial	841,483	795,550	630,983	164,567
Public safety	1,826,123	1,833,634	1,711,515	122,119
Agriculture extension service	100,450	100,444	91,925	8,519
Facilities	141,377	183,889	163,199	20,690
Non-departmental	619,562	723,886	653,664	70,222
Veteran's service office	11,248	11,249	11,040	209
Elections	23,500	25,413	25,413	-
Debt service				
Principal	74,977	76,983	74,967	2,016
Interest and fiscal charges	9,900	9,900	10,071	(171)
Capital outlay	5,150	3,874	63,035	(59,161)
Total expenditures	4,657,212	4,781,443	4,375,052	406,391
Excess (deficiency) of revenue over expenditures	266,709	971,233	1,867,603	896,370
Other financing sources (uses)				
Proceeds from capital leases	-	-	81,232	81,232
Proceeds from notes payable	-	51,417	51,417	-
Proceeds from sale of capital assets	200	978	13,678	12,700
Payment on refinanced capital leases	-	-	(30,548)	(30,548)
Transfers in (out)	-	-	(738,585)	(738,585)
Total other financing sources (uses)	200	52,395	(622,806)	(675,201)
Net change in fund balances	266,909	1,023,628	1,244,797	221,169
Fund balances at beginning of year	2,926,599	2,926,599	2,926,599	-
Fund balances at end of year	\$ 3,193,508	\$ 3,950,227	\$ 4,171,396	\$ 221,169

McCulloch County
 Budgetary Comparison Schedule – Road and Bridge Fund
 Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Fines and fees	\$ 394,900	\$ 437,007	\$ 434,033	\$ (2,974)
Intergovernmental and grants	-	538,592	555,711	17,119
Investment earnings	5,000	22,241	22,241	-
Miscellaneous	-	2,417	2,417	-
Total revenues	399,900	1,000,257	1,014,402	14,145
Expenditures				
Current				
Road and Bridge	794,706	1,366,230	1,184,341	181,889
Debt service				
Principal	138,936	138,887	115,493	23,394
Interest and fiscal charges	31,032	31,081	64,770	(33,689)
Capital outlay	35,392	55,392	319,515	(264,123)
Total expenditures	1,000,066	1,591,590	1,684,119	(92,529)
Excess (deficiency) of revenue over expenditures	(600,166)	(591,333)	(669,717)	(78,384)
Other financing sources (uses)				
Loan/capital lease proceeds	-	-	793,082	793,082
Sale of property	-	-	109,935	109,935
Payment on refinanced capital leases	-	-	(626,749)	(626,749)
Transfers in (out)	-	-	601,539	601,539
Total other financing sources (uses)	-	-	877,807	877,807
Net change in fund balances	(600,166)	(591,333)	208,090	799,423
Fund balances at beginning of year	459,534	459,534	459,534	-
Fund balances at end of year	<u>\$ (140,632)</u>	<u>\$ (131,799)</u>	<u>\$ 667,624</u>	<u>\$ 799,423</u>

McCulloch County

Schedule of Changes in Net Pension Asset and Related Ratios – Texas County & District Retirement System
Year Ended September 30, 2020

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability						
Service cost	\$ 181,152	\$ 194,318	\$ 186,152	\$ 199,000	\$ 177,841	\$ 161,983
Interest on total pension liability	442,022	431,240	412,727	384,485	371,113	347,265
Effect of plan changes	-	-	-	-	(27,594)	-
Effect of assumption changes or inputs	-	-	36,936	-	53,432	-
Effect of economic/demographic (gains) or losses	7,418	(23,110)	(81,744)	19,422	(73,629)	56,461
Benefit payments/refunds of contributions	(572,649)	(344,129)	(323,628)	(361,306)	(307,312)	(276,740)
Net change in total pension liability	57,943	258,319	230,443	241,601	193,851	288,969
Total pension liability, beginning	5,556,663	5,298,344	5,067,901	4,826,300	4,632,449	4,343,480
Total pension liability, ending (a)	<u>\$ 5,614,607</u>	<u>\$ 5,556,663</u>	<u>\$ 5,298,344</u>	<u>\$ 5,067,901</u>	<u>\$ 4,826,300</u>	<u>\$ 4,632,449</u>
Fiduciary Net Position						
Employer contributions	\$ 131,556	\$ 113,073	\$ 110,105	\$ 103,981	\$ 103,900	\$ 94,570
Member contributions	131,556	113,073	110,105	103,981	103,900	94,570
Investment income net of investment expenses	902,922	(108,062)	742,201	359,990	(9,338)	322,177
Benefit payments/refunds of contributions	(572,648)	(344,128)	(323,628)	(361,306)	(307,312)	(276,740)
Administrative expenses	(4,630)	(4,415)	(3,810)	(3,915)	(3,561)	(3,781)
Other	(9,751)	(2,939)	(1,421)	27,872	(49,121)	12,949
Net change in fiduciary net position	579,005	(233,398)	633,552	230,603	(161,532)	243,745
Fiduciary net position, beginning	5,496,335	5,729,733	5,096,181	4,865,578	5,027,110	4,783,365
Fiduciary net position, ending (b)	<u>\$ 6,075,339</u>	<u>\$ 5,496,335</u>	<u>\$ 5,729,733</u>	<u>\$ 5,096,181</u>	<u>\$ 4,865,578</u>	<u>\$ 5,027,110</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (460,732)</u>	<u>\$ 60,328</u>	<u>\$ (431,389)</u>	<u>\$ (28,280)</u>	<u>\$ (39,278)</u>	<u>\$ (394,661)</u>
Fiduciary net position as a percentage of total pension liability	108.21%	98.91%	108.14%	100.56%	100.81%	108.52%
Pensionable covered payroll	\$ 1,879,366	\$ 1,615,332	\$ 1,572,931	\$ 1,485,448	\$ 1,484,285	\$ 1,351,003
Net pension liability as a percentage of covered payroll	-24.52%	3.73%	-27.43%	-1.90%	-2.65%	-29.21%

McCulloch County
Schedule of Employer Contributions – Texas County & District Retirement System
Year Ended September 30, 2020

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2011	\$ 43,737	\$ 74,856	\$ (31,119)	\$ 1,069,374	7.0
2012	41,632	77,713	(36,081)	1,110,187	7.0
2013	52,215	81,585	(29,370)	1,165,505	7.0
2014	62,969	84,441	(21,472)	1,206,298	7.0
2015	80,114	94,570	(14,456)	1,351,003	7.0
2016	84,011	103,900	(19,889)	1,484,285	7.0
2017	84,225	103,981	(19,756)	1,485,448	7.0
2018	81,792	110,105	(28,313)	1,572,931	7.0
2019	85,451	125,669	(40,218)	1,795,271	7.0
2020	101,050	147,057	(46,007)	2,100,814	7.0

See Notes to Required Supplementary Information

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Judge with the assistance of the County Treasurer’s Office and approved by the Commissioners’ Court following a public hearing. The County maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County’s governing body and, as such, is a good management control device.

The budget law of the State of Texas provides that “the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor.” In addition, the law provides that the Commissioners’ Court “may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget.”

The County’s legal level of control for appropriations is at the category level (i.e., salaries and fringe benefits, contract services, general operating, etc.) for each department/project within the general fund. Administrative control is maintained through the establishment of more detailed accounts within each category. Appropriation transfers and budget increases may be made between categories or departments only with the approval of the Commissioners’ Court. The original budgets presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers and increases processed during the fiscal year.

The following General Fund expenditures exceeded budgeted amounts:

	2020			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Capital outlay	\$ 5,150	\$ 3,874	\$ 63,035	\$ (59,161)
Debt service - interest & charges	9,900	9,900	10,071	(171)

The following Road and Bridge Fund expenditures exceeded budgeted amounts:

	2020			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Capital outlay	\$ 35,392	\$ 55,392	\$ 319,515	\$ (264,123)
Debt service	169,968	169,968	180,263	(10,295)

Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	4.9%, average, including inflation
Investment rate of return	8.00%, including inflation
Cost-of-living adjustments	Cost-of-living adjustments for the County are not considered to be substantively automatic. Therefore, no assumption for cost-of-living adjustments is included in the calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	Assumed life expectancies are based on the RP-2000 Active Employee Mortality Table for depositing members, the RP-2000 Combined Mortality Table for service retirees and the RP-2000 Disabled Mortality Table for disabled retirees.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.



Combining Statements as Supplementary Information
September 30, 2020

McCulloch County

	Special Ad Valorem	Law Library	Hot Check	Special Road Repairs Precinct 1 & 3
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 884
Receivables (net of allowances)				
Taxes	227	-	-	-
Other	66	280	210	-
Restricted Assets				
Cash and cash equivalents	149,853	50,907	4,309	-
Total assets	\$ 150,146	\$ 51,187	\$ 4,519	\$ 884
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	117	-	-	-
Total deferred inflows of resources	117	-	-	-
Fund Balances				
Restricted	150,029	51,187	4,519	884
Assigned	-	-	-	-
Total fund balance	150,029	51,187	4,519	884
Total liabilities, deferred inflows of resources, and fund balances	\$ 150,146	\$ 51,187	\$ 4,519	\$ 884

McCulloch County
 Combining Balance Sheet – Nonmajor Governmental Funds
 September 30, 2020

Archive Fees	Court Record Preservation	Courthouse Security	Pre-Trial Diversion	Records Management	Restoration and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
75,058	11,101	78,799	68,798	72,307	24,988
<u>\$ 75,058</u>	<u>\$ 11,101</u>	<u>\$ 78,799</u>	<u>\$ 68,798</u>	<u>\$ 72,307</u>	<u>\$ 24,988</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
75,058	11,101	78,799	68,798	72,307	24,988
-	-	-	-	-	-
<u>75,058</u>	<u>11,101</u>	<u>78,799</u>	<u>68,798</u>	<u>72,307</u>	<u>24,988</u>
<u>\$ 75,058</u>	<u>\$ 11,101</u>	<u>\$ 78,799</u>	<u>\$ 68,798</u>	<u>\$ 72,307</u>	<u>\$ 24,988</u>

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 3,000	\$ -
Receivables (net of allowances)				
Taxes	-	-	-	-
Other	-	-	-	-
Restricted Assets				
Cash and cash equivalents	64,819	4,753	19,000	7,400
Total assets	\$ 64,819	\$ 4,753	\$ 22,000	\$ 7,400
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Restricted	64,819	4,753	19,000	7,400
Assigned	-	-	3,000	-
Total fund balance	64,819	4,753	22,000	7,400
Total liabilities, deferred inflows of resources, and fund balances	\$ 64,819	\$ 4,753	\$ 22,000	\$ 7,400

McCulloch County
 Combining Balance Sheet – Nonmajor Governmental Funds
 September 30, 2020

Salary Supp. Excess Co. Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CETZ Grant Fund	Court Reporter Fees
\$ -	\$ -	\$ 581	\$ 300	\$ -	\$ 2,624
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,037</u>	<u>29,226</u>	<u>-</u>	<u>-</u>	<u>1,790</u>	<u>-</u>
<u>\$ 3,037</u>	<u>\$ 29,226</u>	<u>\$ 581</u>	<u>\$ 300</u>	<u>\$ 1,790</u>	<u>\$ 2,624</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,037</u>	<u>29,226</u>	<u>581</u>	<u>200</u>	<u>1,790</u>	<u>2,624</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
<u>3,037</u>	<u>29,226</u>	<u>581</u>	<u>300</u>	<u>1,790</u>	<u>2,624</u>
<u>\$ 3,037</u>	<u>\$ 29,226</u>	<u>\$ 581</u>	<u>\$ 300</u>	<u>\$ 1,790</u>	<u>\$ 2,624</u>

McCulloch County
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2020

	Library Fund	Total Nonmajor Special Revenue Funds	Permanent Improvement Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 340,501	\$ 347,890	\$ -	\$ 347,890
Receivables (net of allowances)				
Taxes	-	227	-	227
Other	15,672	16,228	287	16,515
Restricted Assets		-		
Cash and cash equivalents	-	666,145	243,899	910,044
Total assets	<u>\$ 356,173</u>	<u>\$ 1,030,490</u>	<u>\$ 244,186</u>	<u>\$ 1,274,676</u>
Liabilities				
Accounts payable	\$ 2,500	\$ 2,500	\$ -	\$ 2,500
Payroll related liabilities	2,380	2,380	-	2,380
Total liabilities	4,880	4,880	-	4,880
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	117	-	117
Total deferred inflows of resources	-	117	-	117
Fund Balances				
Restricted	351,293	1,022,393	244,186	1,266,579
Assigned	-	3,100	-	3,100
Total fund balance	<u>351,293</u>	<u>1,025,493</u>	<u>244,186</u>	<u>1,269,679</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 356,173</u>	<u>\$ 1,030,490</u>	<u>\$ 244,186</u>	<u>\$ 1,274,676</u>

	Special Ad Valorem	Law Library	Hot Check	Special Road Repairs Precinct 1 & 3
Revenues				
Property taxes	\$ 19,497	\$ -	\$ -	\$ -
Fines and fees	-	4,340	451	-
Investment earnings	1,712	596	50	11
Miscellaneous	-	-	-	-
Total revenues	21,209	4,936	501	11
Expenditures				
Current				
General government	-	-	-	-
Judicial	-	718	-	-
Facilities	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	718	-	-
Excess (deficiency) of revenues over (under) expenditures	21,209	4,218	501	11
Other financing sources				
Transfers in (out)	-	-	-	(168,372)
Total other financing sources (uses)	-	-	-	(168,372)
Net change in fund balances	21,209	4,218	501	(168,361)
Fund balances at beginning of year	128,820	46,969	4,018	169,245
Fund balances at end of year	\$ 150,029	\$ 51,187	\$ 4,519	\$ 884

McCulloch County
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
 Funds
 Year Ended September 30, 2020

Archive Fees	Court Record Preservation	Courthouse Security	Pre-Trial Diversion	Records Management	Restoration and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,820	2,003	10,773	19,055	17,127	1,198
-	-	-	-	-	-
-	-	-	-	-	-
17,820	2,003	10,773	19,055	17,127	1,198
791	63	313	4,119	-	13,875
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
791	63	313	4,119	-	13,875
17,029	1,940	10,460	14,936	17,127	(12,677)
-	-	-	-	-	-
-	-	-	-	-	-
17,029	1,940	10,460	14,936	17,127	(12,677)
58,029	9,161	68,339	53,862	55,180	37,665
\$ 75,058	\$ 11,101	\$ 78,799	\$ 68,798	\$ 72,307	\$ 24,988

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and fees	9,706	255	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	9,706	255	-	-
Expenditures				
Current				
General government	3,531	-	-	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	3,531	-	-	-
Excess (deficiency) of revenues over (under) expenditures	6,175	255	-	-
Other financing sources				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	6,175	255	-	-
Fund balances at beginning of year	58,644	4,498	22,000	7,400
Fund balances at end of year	\$ 64,819	\$ 4,753	\$ 22,000	\$ 7,400

McCulloch County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds
Year Ended September 30, 2020

Salary Supp. Excess Co. Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CETRZ Grant Fund	Court Reporter Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	81	-	-	1,110
-	-	-	-	22	-
-	1,349	-	-	-	-
-	1,349	81	-	22	1,110
-	4,281	-	-	-	379
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,281	-	-	-	379
-	(2,932)	81	-	22	731
-	-	-	-	-	-
-	-	-	-	-	-
-	(2,932)	81	-	22	731
3,037	32,158	500	300	1,768	1,893
\$ 3,037	\$ 29,226	\$ 581	\$ 300	\$ 1,790	\$ 2,624

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2020

	Library Fund	Total Nonmajor Special Revenue Funds	Permanent Improvement Fund	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 19,497	\$ -	\$ 19,497
Fines and fees	227,517	311,436	-	311,436
Investment earnings	4,844	7,235	3,667	10,902
Miscellaneous	59,851	61,200	-	61,200
Total revenues	292,212	399,368	3,667	403,035
Expenditures				
Current				
General government	466,088	493,440	-	493,440
Judicial	-	718	-	718
Facilities	-	-	144,621	144,621
Capital outlay	83,602	83,602	-	83,602
Total expenditures	549,690	577,760	144,621	722,381
Excess (deficiency) of revenues over (under) expenditures	(257,478)	(178,392)	(140,954)	(319,346)
Other financing sources				
Transfers in (out)	218,996	50,624	86,422	137,046
Total other financing sources (uses)	218,996	50,624	86,422	137,046
Net change in fund balances	(38,482)	(127,768)	(54,532)	(182,300)
Fund balances at beginning of year	389,775	1,153,261	298,718	1,451,979
Fund balances at end of year	<u>\$ 351,293</u>	<u>\$ 1,025,493</u>	<u>\$ 244,186</u>	<u>\$ 1,269,679</u>

	Tax Assessor/ Collector	Tax Assessor/ Collector Chapter 19	District Clerk Excess Tax	District Clerk
Assets				
Cash and cash equivalents	\$ 100,420	\$ 4	\$ 81,317	\$ 10,817
Accounts receivable	-	-	-	-
Total assets	\$ 100,420	\$ 4	\$ 81,317	\$ 10,817
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to others	100,420	4	81,317	10,817
Due to other funds	-	-	-	-
Total liabilities	\$ 100,420	\$ 4	\$ 81,317	\$ 10,817

McCulloch County
 Combining Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
 September 30, 2020

District Clerk Trust	County Clerk Escrow	County Clerk Fees	County Clerk Trust	County Clerk Trust Escrow	Sheriff's Department
\$ 120,393 -	\$ 23,298 -	\$ 18,060 -	\$ 142 -	\$ 24,000 -	\$ 9,800 -
<u>\$ 120,393</u>	<u>\$ 23,298</u>	<u>\$ 18,060</u>	<u>\$ 142</u>	<u>\$ 24,000</u>	<u>\$ 9,800</u>
\$ - 120,393 -	\$ - 23,298 -	\$ - 18,060 -	\$ - 142 -	\$ - 24,000 -	\$ - 9,800 -
<u>\$ 120,393</u>	<u>\$ 23,298</u>	<u>\$ 18,060</u>	<u>\$ 142</u>	<u>\$ 24,000</u>	<u>\$ 9,800</u>

	Sheriff's Forfeiture	Sheriff's LEOSE	DREAM	Inmate Trust
Assets				
Cash and cash equivalents	\$ 9,360	\$ 4,198	\$ 1,600	\$ 26,483
Accounts receivable	-	-	-	-
Total assets	\$ 9,360	\$ 4,198	\$ 1,600	\$ 26,483
Liabilities				
Accounts payable	-	2,770	-	-
Due to others	9,360	1,428	1,600	26,483
Due to other funds	-	-	-	-
Total liabilities	\$ 9,360	\$ 4,198	\$ 1,600	\$ 26,483

McCulloch County
Combining Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
September 30, 2020

Commissary Profit	Justice of the Peace	Prosecutor's Collection	State Trust	Payroll Clearing	Richards Memorial Library	Total Agency Funds
\$ 22,609 964	\$ 15,235 -	\$ 2,913 -	\$ 75,941 2,100	\$ 21,672 2,323	\$ 1,365 -	\$ 569,627 5,387
<u>\$ 23,573</u>	<u>\$ 15,235</u>	<u>\$ 2,913</u>	<u>\$ 78,041</u>	<u>\$ 23,995</u>	<u>\$ 1,365</u>	<u>\$ 575,014</u>
\$ 2,962 20,611 -	\$ - 15,235 -	\$ - 2,913 -	\$ 56,982 5,477 15,582	\$ 23,995 - -	\$ - 1,365 -	\$ 86,709 472,723 15,582
<u>\$ 23,573</u>	<u>\$ 15,235</u>	<u>\$ 2,913</u>	<u>\$ 78,041</u>	<u>\$ 23,995</u>	<u>\$ 1,365</u>	<u>\$ 575,014</u>



Compliance Section
September 30, 2020

McCulloch County



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*

The Honorable Judge and
Members of the Commissioners’ Court
McCulloch County
Brady, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCulloch County, Texas (the County), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which comprise the County’s basic financial statements and have issued our report thereon dated February 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) as a basis for designing 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 the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s 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 a 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 over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 the County's financial statements are free from 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 financial statements. 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
February 26, 2021

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.