



Financial Statements
December 31, 2019
Mitchell County, Texas

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Independent Auditor's Report

To the Honorable Judge and
Members of the Commissioners' Court
Mitchell County, Texas
Colorado City, Texas

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell County, Texas (the County) as of and for the year ended December 31, 2019, 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 modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell County, Texas, as of December 31, 2019, and the respective changes in financial position – modified cash basis and, where applicable, cash flows thereof – modified cash basis for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County, Texas' basic financial statements. The management's discussion and analysis, budgetary schedules and pension schedules on pages 4–12 and 45-51, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of Mitchell County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Sully LLP

Abilene, Texas
June 17, 2020

This section of Mitchell County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2019. This discussion includes comparative data for the prior year. Please read it in conjunction with the basic financial statements and related notes, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$20,333,098 at December 31, 2019. Of this amount, \$8,860,832 is invested in capital assets, net of related debt, and \$1,499,438 is restricted for various purposes. Unrestricted net position totals \$9,972,828.
- During the year, the County's expenses were \$1,145,534 less than the \$8,836,583 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$3,495,391.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Mitchell County, Texas basic financial statements. The County's basic financial statements consist of 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 Financial 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 on the modified cash basis of accounting. All of the current year's revenues and expenses are accounted for in the statement of activities, also on the modified cash basis of accounting.

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 government, judicial, public safety and correctional, transportation, facilities, health and welfare, and non-capital expenditures. Property taxes and fees 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.
- 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 kinds 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 helps 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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- **Proprietary funds-** Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, the County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities.
- **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 Mitchell County, net position was \$20,333,098 at the close of the fiscal year ended December 31, 2019.

43.6% of net position represents the County's net investment in capital assets (e.g. buildings and other improvements; furniture, machinery and equipment; and land). The County uses these capital assets to provide services to the citizens, and, consequently these assets are not available for future spending. The usage of another 7.4% of the County's net position is subject to external restrictions. The remaining balance, \$9,972,828, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

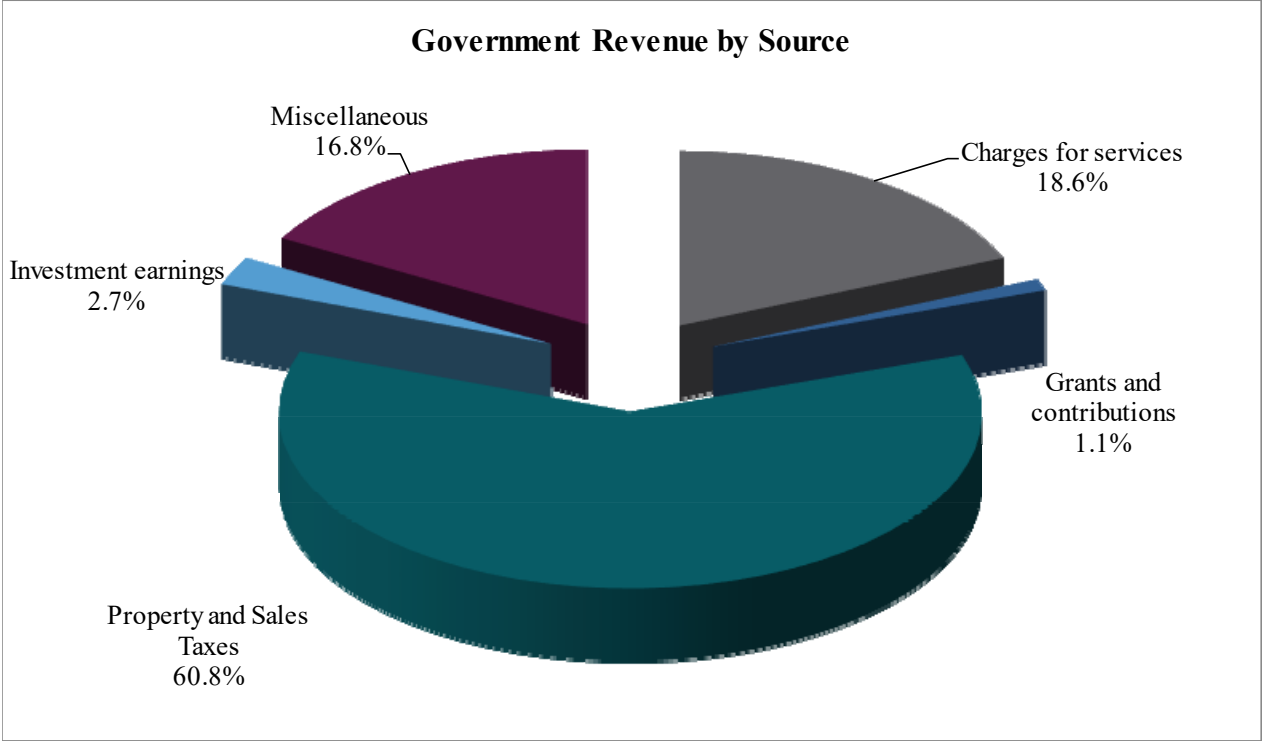
	Governmental Activities	
	December 31, 2019	December 31, 2018
Assets		
Current and other assets	\$ 11,472,266	\$ 10,372,545
Capital assets	14,602,172	14,922,599
Total assets	26,074,438	25,295,144
Liabilities		
Noncurrent liabilities	5,741,340	6,107,580
Net Position		
Net investment in capital assets	8,860,832	8,815,019
Restricted	1,499,438	1,919,950
Unrestricted	9,972,828	8,452,595
Total net position	\$ 20,333,098	\$ 19,187,564

The County's net position increased by \$1,145,534. 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.

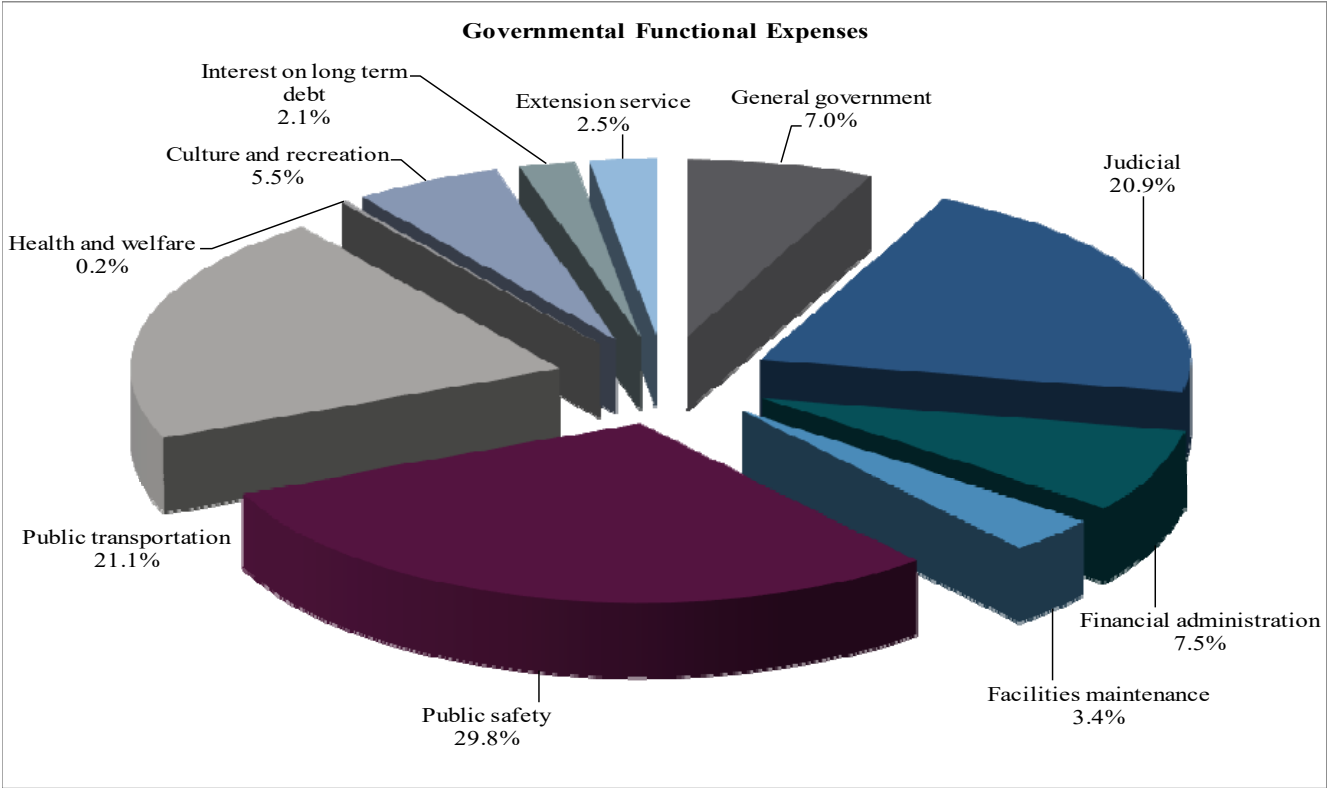
Governmental activities. Revenues for the County's governmental activities were \$8,836,583, up by \$821,849 or 10.3% over the prior year while total expenses were \$7,691,049, down by \$1,020,701 or 11.7% compared to the prior year. Revenues increased due to miscellaneous funds received in fiscal year 2019. The increase in net position of \$1,145,534 reflects an increase of 6% for the year ended December 31, 2019, from \$19,187,564 at the beginning of the year to \$20,333,098 at the end of the year.

	Governmental Activities	
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 1,651,725	\$ 1,703,746
Operating grants and contributions	96,519	102,432
General revenues		
Taxes	5,368,938	5,224,298
Investment earnings	234,705	151,349
Miscellaneous	1,484,696	832,909
Total revenues	8,836,583	8,014,734
Expenses		
General government	540,326	609,443
Judicial	1,608,132	1,596,748
Financial administration	578,728	577,795
Public facilities	262,778	1,385,166
Public safety	2,288,627	2,260,186
Road and bridge	1,621,583	1,522,369
Health and welfare	16,204	16,571
Culture and recreation	423,578	412,665
Conservation and development	191,463	161,609
Interest on long term debt	159,630	169,198
Total expenses	7,691,049	8,711,750
Change in net position	1,145,534	(697,016)
Net position - beginning	19,187,564	19,884,580
Net position - ending	\$ 20,333,098	\$ 19,187,564

A significant portion of the County's revenues, \$5,368,938 or 60.8% come from property, sales, and beverage taxes during the current year compared to 65.2% in the prior year. 18.6% comes from charges for services, 1.1% comes from grants and contributions, 2.7% comes from investment earnings, and 16.8% comes from other revenues.



The total cost for all programs and services totaled \$7,691,049 for the year ended December 31, 2019. Of this amount, the largest operating services areas were public transportation which totaled \$1,621,583 or 21.1% of total expenses for the year, public safety which totaled \$2,288,627 or 29.8% of total expenses for the year, and judicial services which totaled \$1,608,132, or 20.9% of total expenses for the year. In the prior year, these three operating areas comprised 61.7% of total expenses. Costs related to general government continued to absorb a significant percentage of the County's total expenses at 7.0% for the current year.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, Mitchell 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 fund. The focus of Mitchell County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Mitchell 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.

The County's governmental funds reflect a combined fund balance of \$11,468,891 as of December 31, 2019, an increase of \$1,096,346 from \$10,372,545 at the end of the prior year.

Approximately 30.5% of the combined fund balances for the governmental funds constitutes unassigned fund balance, which is available to meet the County's current and future operating needs. Approximately 56% of the combined fund balances for the governmental funds constitutes assigned fund balances, which is assigned for various purposes, including road and bridge, permanent improvement, and capital acquisition. The remainder of the fund balance, \$1,499,438, is restricted for specific purposes.

During the current fiscal year, the County spent \$7,748,563 on County services and collected revenues (and other resources) of \$8,844,909, netting an increase in fund balance of \$1,096,346 as compared to an increase in fund balance of \$288,964 during the previous fiscal year. The General Fund is the principal operating fund of the County. The General Fund had fund balance of \$3,495,391 as of December 31, 2019, up by 188.7% from the end of the previous fiscal year.

In the Mitchell County Road and Bridge Funds, the County expended \$1,611,532 primarily on fuel, road repairs and maintenance. The County collected revenues and other resources of \$807,231 netting a \$804,301 decrease in fund balance. Actual revenues and other resources were less than budget by \$21,772 while actual expenditures were \$93,969 less than the budgeted amount for the year. The Road and Bridge Fund had a beginning fund balance of \$6,548,814 and ended the year with a balance of \$5,744,513.

General Fund Budgetary Highlights

The County budget is prepared by the department heads and 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.

Over the course of the year, the County revised the General Fund budget several times. With these adjustments, actual revenues and other resources were greater than budgetary estimates by \$1,440,730 and expenditures were less than budgetary estimates by \$325,548. Major variances include:

- Charges for services revenues exceeded budgeted projections by \$73,233.
- Fines and forfeiture revenues exceeded budgeted projections by \$153,030.
- Other revenue exceeded budgeted projections by \$1,038,551.
- General government expenditures were under budget by \$60,510.
- Judicial expenditures were under budget by \$112,405.
- Public facilities expenditures were under budget by \$47,531.
- Conservation and development expenditures were under budget by \$62,487.
- Proceeds from insurance on capital assets exceeded budget by \$95,634.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets. At the end of 2019, the County had invested \$14,602,172 in a broad range of capital assets, including land, buildings and improvements, machinery and equipment. Infrastructure assets (roads and bridges) acquired prior to fiscal year 2004 are not capitalized. Construction in progress consists of an ongoing project for a water desalination plant. More detailed information about the County's capitalized assets can be found in Note 6 on page 39 of this report.

	Governmental Activities	
	2019	2018
Land	\$ 266,616	\$ 266,616
Construction in progress	7,006,609	6,930,512
Buildings and improvements	12,529,652	12,442,820
Furniture, machinery and equipment	5,411,452	5,338,417
 Total at historical cost	 25,214,329	 24,978,365
 Total accumulated depreciation	 (10,612,157)	 (10,055,766)
 Net capital assets	 \$ 14,602,172	 \$ 14,922,599

Long Term Debt. As of December 31, 2019, the County had \$5.8 million of general obligation bonds, notes payable, and capital leases payable.

	Governmental Activities	
	2019	2018
Bonds Payable	\$ 5,741,340	\$ 6,107,580
Capital Lease Payable	30,748	95,780
 Total	 \$ 5,772,088	 \$ 6,203,360

During the year, Mitchell County's long-term obligations decreased by \$431,272 due to the repayment of bonds and notes payable. More detailed information about the County's long-term liabilities can be found in Note 7 on pages 40-41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mitchell County Commissioners' Court considered many factors when setting the fiscal year 2020 budget, tax rates and fees that will be charged for its activities. The key factors that affected the formulation of next year's budget and rates are discussed below.

- The tax rate established for 2020 is \$0.57913, a decrease of \$0.008380 from 2019's tax rate of \$0.587510.
- The 2020 budget was approved for \$9,706,583, an increase of \$635,019 from the 2019 budget of \$9,071,564.
- Inflationary trends in the region compare favorably to national indices.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Mitchell County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to the Office of the Mitchell County Auditor, 441 Walnut Street, Colorado City, TX 79512.

Mitchell County, Texas
Statement of Net Position – Modified Cash Basis
December 31, 2019

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,472,266
Capital assets	
Land	266,616
Construction in progress	7,006,609
Buildings and improvements, net	6,874,397
Furniture, machinery and equipment, net	454,550
Capital assets, net	14,602,172
Total assets	26,074,438
Liabilities	
Noncurrent liabilities	
Due within one year	371,240
Due in more than one year	5,370,100
Total liabilities	5,741,340
Net Position	
Net investment in capital assets	8,860,832
Restricted for	
Debt service	243,469
Courthouse security	119,666
Justice court technology	11,125
Enabling legislation	188,495
Law enforcement	936,683
Unrestricted	9,972,828
Total net position	\$ 20,333,098

Mitchell County, Texas
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2019

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government					
Governmental activities					
General government	\$ 540,326	\$ -	\$ -	\$ -	\$ (540,326)
Judicial	1,608,132	570,316	96,519	-	(941,297)
Financial administration	578,728	169,519	-	-	(409,209)
Public facilities	262,778	9,475	-	-	(253,303)
Public safety	2,288,627	483,732	-	-	(1,804,895)
Public transportation	1,621,583	411,579	-	-	(1,210,004)
Health and welfare	16,204	-	-	-	(16,204)
Culture and recreation	423,578	7,104	-	-	(416,474)
Conservation and development	191,463	-	-	-	(191,463)
Interest on long-term debt	159,630	-	-	-	(159,630)
Total primary government	<u>\$ 7,691,049</u>	<u>\$ 1,651,725</u>	<u>\$ 96,519</u>	<u>\$ -</u>	<u>(5,942,805)</u>
General revenues					
Taxes					
Property taxes					4,993,618
Sales taxes					375,320
Investment earnings					234,705
Proceeds from insurance					95,634
Gain on sale of capital assets					2,097
Miscellaneous revenue					1,386,965
Total general revenues					<u>7,088,339</u>
Change in net position					1,145,534
Net position at beginning of year					19,187,564
Net position at end of year					<u>\$ 20,333,098</u>

See Notes to Financial Statements

Mitchell County, Texas

Balance Sheet – Modified Cash Basis – Governmental Funds

December 31, 2019

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,495,391	\$ 5,744,513	\$ 2,228,987	\$ 11,468,891
Total assets	<u>\$ 3,495,391</u>	<u>\$ 5,744,513</u>	<u>\$ 2,228,987</u>	<u>\$ 11,468,891</u>
Fund Balance				
Restricted for				
Courthouse security	\$ -	\$ -	\$ 119,666	\$ 119,666
Justice court technology	-	-	11,125	11,125
Enabling legislation	-	-	188,495	188,495
Law enforcement	-	-	936,683	936,683
Debt service	-	-	243,469	243,469
Assigned for				
Road and bridge	-	5,744,513	-	5,744,513
Permanent improvement	-	-	699,105	699,105
Capital acquisition	-	-	18,451	18,451
Other purpose	-	-	11,993	11,993
Unassigned	<u>3,495,391</u>	<u>-</u>	<u>-</u>	<u>3,495,391</u>
Total fund balance	<u>\$ 3,495,391</u>	<u>\$ 5,744,513</u>	<u>\$ 2,228,987</u>	<u>\$ 11,468,891</u>

Mitchell County, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis
December 31, 2019

Total Fund Balances - Governmental Funds \$ 11,468,891

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Capital assets	25,214,329	
Accumulated depreciation	<u>(10,612,157)</u>	14,602,172

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable	(5,665,000)	
Premium on bonds payable	<u>(76,340)</u>	<u>(5,741,340)</u>

Net Position of Governmental Activities - Statement of Net Position \$ 20,333,098

Mitchell County, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis
Year Ended December 31, 2019

	General Fund	Road and Bridge	Other Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,505,236	\$ 85,332	\$ 778,370	\$ 5,368,938
Licenses and permits	63,661	331,528	-	395,189
Intergovernmental revenue	93,932	-	-	93,932
Charges for services	103,233	-	9,475	112,708
Fines and forfeitures	955,455	80,051	113,056	1,148,562
Investment earnings	58,806	129,021	46,878	234,705
Rents and royalties	43,377	-	-	43,377
Other revenue	1,072,051	170,944	98,446	1,341,441
Total revenues	6,895,751	796,876	1,046,225	8,738,852
Expenditures				
Current				
General government	569,440	-	22,766	592,206
Judicial	1,457,906	-	143,794	1,601,700
Financial administration	566,371	6,860	-	573,231
Public facilities	348,970	-	-	348,970
Public safety	1,825,042	-	98,385	1,923,427
Public transportation	-	1,604,672	-	1,604,672
Health and welfare	16,204	-	-	16,204
Culture and recreation	-	-	372,054	372,054
Conservation and development	190,229	-	-	190,229
Debt service				
Interest	-	-	165,870	165,870
Principal retirement	-	-	360,000	360,000
Total expenditures	4,974,162	1,611,532	1,162,869	7,748,563
Other financing sources (uses)				
Transfers in	357,229	-	90,000	447,229
Transfers out	(90,000)	-	(357,229)	(447,229)
Proceeds from insurance	95,634	-	-	95,634
Proceeds from sale of equipment	68	10,355	-	10,423
Total other financing sources (uses)	362,931	10,355	(267,229)	106,057
Change in fund balance	2,284,520	(804,301)	(383,873)	1,096,346
Fund balances at beginning of year	1,210,871	6,548,814	2,612,860	10,372,545
Fund balances at end of year	\$ 3,495,391	\$ 5,744,513	\$ 2,228,987	\$ 11,468,891

Mitchell County, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis
Year Ended December 31, 2019

Net Change in Fund Balances -Total Governmental Funds \$ 1,096,346

Internal service funds are used by management to charge the costs of self-insurance in individual funds. The change in net position of the internal service fund is included in governmental activities in the statement of activities. The net effect of this consolidation is to increase net position. 3,375

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.

Capital outlay	262,616	
Principal payments	<u>360,000</u>	622,616

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (574,717)

Governmental funds report proceeds from the sale of or disposal of assets as revenue. However, in the statement of activities, the cost of the assets sold is offset against the proceeds to report gain or loss on the sale of assets. The net effect of the current year disposal was a decrease in net position. (8,326)

The amortization of premium on bonds payable increases net position. 6,240

Change in Net Position of Governmental Activities - Statement of Activities \$ 1,145,534

Mitchell County, Texas
Statement of Fiduciary Net Position – Modified Cash Basis – Proprietary Funds
December 31, 2019

	<u>Internal Service Fund</u>
Assets	
Current	
Cash and cash equivalents	<u>\$ 3,375</u>
Total assets	<u>3,375</u>
Net position	
Unrestricted	<u>3,375</u>
Total net position	<u><u>\$ 3,375</u></u>

Mitchell County, Texas

Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2019

	Internal Service Fund
Operating revenues	
Charges for services	<u>\$ 52,398</u>
Total operating revenues	<u>52,398</u>
Operating expenses	
Personnel services-employee benefits	<u>49,023</u>
Total operating expenses	<u>49,023</u>
Operating income	<u>3,375</u>
Change in net position	3,375
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$ 3,375</u></u>

Mitchell County, Texas
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2019

	Internal Service Fund
Operating activities	
Receipts from user charges	\$ 52,398
Payments for insurance claims	<u>(49,023)</u>
Net cash provided by operating activities	<u>3,375</u>
Change in cash and cash equivalents	3,375
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,375</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u><u>\$ 3,375</u></u>

Mitchell County, Texas
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds
December 31, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash investments	<u>\$ 2,223,712</u>
Total assets	<u><u>\$ 2,223,712</u></u>
Liabilities	
Due to others	<u>\$ 2,223,712</u>
Total liabilities	<u><u>\$ 2,223,712</u></u>

Note 1 - Summary of Significant Accounting Policies

The authority of County governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.). Mitchell County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial statements are presented on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The County is a body, corporate and political, which performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and four Commissioners form the governing body, the Commissioners' Court. Various branches of the County government are led by duly elected officials who serve in their positions. These other elected officials are responsible only to the voters for their performance and for the operations of their individual offices but must seek budget approval from the Commissioners' Court.

The County has no oversight responsibility for any other governmental entity since no other entities are considered to be financially accountable to the County.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County does not have any business-type activities.

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

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus

In the government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Equity is classified as net position.

In the governmental fund financial statements, the current financial resources measurement focus is used. Only current financial assets and liabilities are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources for the current period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The County prepares its financial statements (both government-wide financial statements as well as fund financial statements) on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as taxes receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Also, on the modified cash basis of accounting, property taxes are recognized when received. As a result, property taxes may be collected and recorded as revenue in a different fiscal year than the year for which the tax was levied. Generally accepted accounting principles require that property taxes be recognized in the year for which they are levied.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the proprietary and fiduciary fund financial statements and the government-wide financial statements would be presented using the accrual basis of accounting.

It is the County's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Separate funds are established to account for revenues and expenditures pertaining to separate identifiable functions of the County. Each fund represents a separate accounting entity. County funds do not include funds held by County offices which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. The remaining funds held by other County offices are reported as fiduciary fund types and are not subject to control by the Commissioners' Court. The County reports the following major funds:

Governmental Fund Types

General Fund

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

Road and Bridge Fund

The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Nonmajor Governmental Funds

These include nonmajor special revenue funds, established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This also includes a capital projects fund used to account for resources used by the County in connection with the construction of a sports complex for public use. This also includes a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Fund Type

Internal Service Fund

Revenues and expenses related to services provided to organizations inside the County on a cost reimbursement basis are accounted for in an internal service fund. The County's internal service fund is the insurance trust fund.

Fiduciary Fund Types

Agency Funds

Fiduciary funds, which include funds held by County offices, are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the insurance trust fund are County contributions. Operating expenses include claims expense and administrative expense for administering the insurance fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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

Capital Assets

The County’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net position. In the fund financial statements, capital assets arising from cash transactions are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Prior to January 1, 2004, infrastructure assets were not capitalized. Infrastructure assets acquired since January 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The range of estimated useful lives by type of asset is as follows:

Assets	Years
Buildings and improvements	5-30
Furniture and equipment	5-10
Vehicles and heavy equipment	3-10

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position.

In the governmental fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period in the fund financial statements. Bond proceeds and premiums are reported as an “other financing source.” Bond discounts are reported as an “other financing use”. Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide financial statements, premiums and discounts are reported as deferred charges and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2 - Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and tax interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide Appraisal Districts and for the State Property Tax Board which commenced operation in January, 1980.

Mitchell County Appraisal District appraises property values in the County. The Mitchell County Tax Assessor-Collector assesses and collects the County's property taxes. The County Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property.

However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

Note 3 - Deposits and Investments

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

Cash Deposits

The County's cash deposits at December 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

Investments

The County has no investments reported at fair value.

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

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than fair value to report net position to compute share prices. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Policies Governing Deposits and Investments

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

Custodial Credit Risk — Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits, including certificates of deposit, at year-end and during the year ended December 31, 2019 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk — Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk — In accordance with State law, the maximum dollar-weighted maturity of local government investment pools may not exceed 90 days. The maximum allowable stated maturity of any individual investment owned by the County is three years.

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.

Credit Risk — State law limits investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of December 31, 2019, the County did not hold any investments in local government investment pools.

Note 4 - Interfund Balances and Transfers

There were no interfund receivables or payables at December 31, 2019. Transfers to and from other funds at December 31, 2019, consisted of the following:

Transfers from General Fund to Non-major Governmental Funds	\$ 90,000
	\$ 90,000
Transfers from Non-major Governmental Funds to General Fund	\$ 357,229
	\$ 357,229

Transfers from the general fund provide additional funding for special projects. Transfers from special revenue funds were to release forfeited assets as directed under final judgement.

Note 5 - 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 District 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 781 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 Barton Oaks Plaza IV, Ste. 500, 901 S MoPac Expressway, Austin, Texas 78746 or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the Commissioners' Court 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, with 30 years of service regardless of age, or when the sum of their age and years of services equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits 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 County’s Board within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2018 consisted of the following:

Inactive Employees' Accounts:		
Receiving benefits	51	
Entitled to but not yet receiving benefits	37	
Total		88
Active Employees' Accounts		73

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 and Amounts		
	2018	2019
Member	7.0%	7.0%
Employer	11.5%	11.5%
Member contributions	\$ 216,816	\$ 224,409
Employer contributions	356,197	368,673

Actuarial Assumptions

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

Valuation Date	December 31, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	7.6 years
Asset valuation method	5-year smoothed market
Discount rate	8.10%
Long-term expected investment rate of return*	8.10%
Salary increases*	4.9%, average
Payroll growth rate	3.25%

**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:

<u>Age</u>	<u>Male and Female</u>
40-44	0.450
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 methods reflected in the December 31, 2019 actuarial valuation. There were no changes in actuarial assumptions reflected in the December 31, 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the Plan actuary has 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 the 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, TCDRS has 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 2018 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 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	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LST A Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index+ 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

¹ Target asset allocation adopted at the April 2019 TCDRS Board meeting.

² Geometric real rates of return in addition to assumed inflation of 1.70%, per Cliffwater's 2019 capital market assumptions.

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

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

⁵ Includes vintage years 2007 - present of quarter Pooled Horizons IRRs.

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

At December 31, 2019, the County has a net pension liability of \$1,557,123 for its net pension liability measured at December 31, 2018.

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

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

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

<u>Changes in Net Pension Liability / (Asset)</u>	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability / (Asset) (a) - (b)</u>
Balances at December 31, 2017	\$ 14,042,288	\$ 13,606,943	\$ 435,345
Changes for the year			
Service cost	325,708	-	325,708
Interest on total pension liability ⁽¹⁾	1,135,238	-	1,135,238
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(34,877)	-	(34,877)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(53,317)	(53,317)	-
Benefit payments	(666,137)	(666,137)	-
Administrative expenses	-	(10,596)	10,596
Member contributions	-	216,816	(216,816)
Net investment income	-	(255,130)	255,130
Employer contributions	-	356,197	(356,197)
Other ⁽³⁾	-	(2,996)	2,996
Balances as of December 31, 2018	<u>\$ 14,748,903</u>	<u>\$ 13,191,780</u>	<u>\$ 1,557,123</u>

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

(2) No plan changes valued.

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

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 liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 16,365,763	\$ 14,748,903	\$ 13,365,647
Fiduciary net position	13,191,780	13,191,780	13,191,780
Net pension liability / (asset)	\$ 3,173,983	\$ 1,557,123	\$ 173,867

At December 31, 2019, the County's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 52,695	\$ -
Changes of actuarial assumptions	-	72,212
Net difference between projected and actual earnings	-	797,355
Contributions paid to TCDRS subsequent to the measurement date	-	368,673
Total	\$ 52,695	\$ 1,238,240

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$368,673 will be recognized as a reduction of the net pension liability for the year ended December 31, 2020. Other amounts incurred but not reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	
2020	\$ 286,801
2021	137,676
2022	122,209
2023	270,186
	\$ 816,872

Note 6 - Capital Assets

The changes in capital assets for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Governmental activities				
Non-depreciable assets				
Land	\$ 266,616	\$ -	\$ -	\$ 266,616
Construction in progress	6,930,512	76,097	-	7,006,609
Total non-depreciable assets	<u>7,197,128</u>	<u>76,097</u>	<u>-</u>	<u>7,273,225</u>
Depreciable assets				
Buildings and improvements	12,442,820	86,832	-	12,529,652
Furniture and equipment	775,287	9,443	-	784,730
Vehicles and heavy equipment	4,563,130	90,244	(26,652)	4,626,722
Total depreciable assets	<u>17,781,237</u>	<u>186,519</u>	<u>(26,652)</u>	<u>17,941,104</u>
Total historic cost	24,978,365	262,616	(26,652)	25,214,329
Less accumulated depreciation				
Buildings and improvements	5,172,242	483,013	-	5,655,255
Furniture and equipment	737,235	17,741	-	754,976
Vehicles and heavy equipment	4,146,289	73,963	(18,326)	4,201,926
Total accumulated depreciation	<u>10,055,766</u>	<u>574,717</u>	<u>(18,326)</u>	<u>10,612,157</u>
Governmental activities capital assets, net	<u>\$ 14,922,599</u>	<u>\$ (312,101)</u>	<u>\$ (8,326)</u>	<u>\$ 14,602,172</u>

Current year depreciation expense was charged to governmental functions as follows:

General government	\$ 47,771
Judicial	6,432
Financial administration	5,497
Public facilities	2,780
Public safety	401,200
Public transportation	58,279
Culture and recreation	51,524
Conservation and development	1,234
Total depreciation expense	<u>\$ 574,717</u>

Estimated costs to complete construction in progress at December 31, 2019 were \$195,000.

Note 7 - Long-Term Debt

Bonds and Note Payable

On May 11, 2012, the County issued \$8,040,000 in General Obligation Bonds, Series 2012. Interest is due semi-annually at rates ranging from 2% to 3.125%. The bonds mature serially through 2032. The purpose of the bonds is to fund construction of a new jail facility and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$124,180. After the issuance of the bonds, the County has \$120,000 of authorized but unissued bonds. The County does not intend to issue the remaining bonds.

The following table summarizes the annual debt service requirements of the outstanding bonds December 31, 2019, to maturity:

Years Ending December 31	Bonds		Total Requirements
	Principal	Interest	
2020	\$ 365,000	\$ 154,595	\$ 519,595
2021	375,000	143,495	518,495
2022	385,000	133,539	518,539
2023	395,000	124,468	519,468
2024	405,000	114,665	519,665
2025-2029	2,225,000	398,562	2,623,562
2030-2032	1,515,000	71,963	1,586,963
Totals	<u>\$ 5,665,000</u>	<u>\$ 1,141,287</u>	<u>\$ 6,806,287</u>

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund. Note payments are accounted for in the Debt Service Fund.

Capital Lease Payable

On June 13, 2016, the County entered into a long-term capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$137,141 at an annual imputed interest of 2.95% for a period of four years for the purpose of acquiring a Motor Grader. Payments are due annually at an amount of \$34,285 with a final maturity in fiscal year 2019.

On June 29, 2016, the County entered into a long-term capital lease agreement with Caterpillar Financial Services Corporation in the amount of \$153,735 at an annual imputed interest of 0.24% for a period of five years for the purpose of acquiring a Wheel Loader. Payments are due annually at an amount of \$30,747 with a final maturity in fiscal year 2020.

The County has not recorded a capital lease payable as the financial statements are presented under the modified cash basis. Future minimum lease payments under capital leases are as follows:

Years Ending December 31	
2020	<u>\$ 30,822</u>
Total minimum lease payments	30,822
Less amount representing interest	<u>(74)</u>
Present value of minimum lease payments	<u><u>\$ 30,748</u></u>

Total interest expense on capital leases for the year ended December 31, 2019 was \$1,160. Capital lease payables are liquidated through payments made by the Road and Bridge Fund.

Compensated Absences

Employees accumulate annual vacation pay at the rate of one day for each month worked for service up to 10 years, and after 10 years of service, 1.25 days for each month worked. The maximum unpaid vacation that may accumulate is 18 days for service under 10 years and 21 days for service of 10 years or more. The estimated liability for unpaid vacation at December 31, 2019 is \$62,478. Employee annual sick leave is 13 days. The County does not pay accrued sick leave upon termination.

The County has not recorded a compensated absences payable as the financial statements are presented under the modified cash basis.

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 6,025,000	\$ -	\$ 360,000	\$ 5,665,000	\$ 365,000
Bond premium	82,580	-	6,240	76,340	6,240
Total governmental activities long-term liabilities	<u>\$ 6,107,580</u>	<u>\$ -</u>	<u>\$ 366,240</u>	<u>\$ 5,741,340</u>	<u>\$ 371,240</u>

Note 8 - Risk Management

The County has obtained insurance coverage for general liability and property coverage through the purchase of commercial insurance. The County does not bear the risk of loss under these policies, with the exception of any deductibles required. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Employees of Mitchell County are covered by a health insurance plan (the Plan) through Texas Association of Counties. The Plan is authorized by Article 3.51-2, Texas Insurance Code, and is documented by contractual agreement. Employees at their option authorized payroll withholdings to pay premiums for dependent coverage.

Employees of Mitchell County are covered by a workers' compensation plan administered by the Texas Association of Counties. Contributions to the plan are subject to change based upon actual payroll figures.

Note 9 - Fund Balance

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:

1. 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).
2. 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.
3. 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).
4. Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed.
5. 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 December 31, 2019, the restricted fund balance is composed of the following:

Public library	\$ 48,294
Law library	14,176
Records management court fee	24,848
Records management SB 770	5,622
Records management district clerk	7,696
Courthouse Security	119,666
District clerk records archive	5,452
County clerk records archive	9,553
Justice court technology	11,125
DA restitution	7,245
Sheriff forfeiture and seizure	10,254
Sheriff forfeiture and seizure II	62,600
DA drug forfeiture	929,438
Debt service	243,469
	\$ 1,499,438

Assigned Fund Balance

At December 31, 2019, the restricted fund balance is composed of the following:

Road and bridge	\$ 5,744,513
Sports complex	18,451
Sheriff commissary	11,993
Permanent improvement	699,105
	\$ 6,474,062

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County’s goal is to achieve and maintain an unassigned fund balance in the General Fund equal to 33.33% of expenditures. The County considers a fund balance of less than 25% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the County shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

If unassigned fund balance unintentionally falls below 25% or if it is anticipated that at the completion of any fiscal year, the projected fund balance will be less than the minimum requirement, the County Judge shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such. These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce.

The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the County, then the Commissioners Court shall establish and extended timeline for attaining the minimum balance.

Appropriation from the minimum unassigned fund balance shall require the approval of the Commissioners Court and shall be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditures is simultaneously adopted. The Commissioners Court, to the extent permitted by law, may appropriate unassigned fund balance for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

The County Treasurer and County Auditor shall be responsible for monitoring and reporting the County's various reserve balances. The County Judge is directed to make recommendations to the Commissioners Court on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise. Compliance with the provisions of the policy shall be reviewed as part of the annual operating budget process, and subsequent review will be included in the annual audit and financial statement preparation procedures.



Other Supplementary Information
December 31, 2019

Mitchell County, Texas

Mitchell County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –
 General Fund
 Year Ended December 31, 2019

	Budget		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,510,876	\$ 4,510,876	\$ 4,505,236	\$ (5,640)
Licenses and permits	50,350	50,350	63,661	13,311
Intergovernmental revenue	51,200	101,641	93,932	(7,709)
Charges for services	30,000	30,000	103,233	73,233
Fines and forfeitures	802,425	802,425	955,455	153,030
Investment earnings	14,000	14,000	58,806	44,806
Rents and royalties	35,600	35,600	43,377	7,777
Other revenue	33,500	33,500	1,072,051	1,038,551
Total revenues	5,527,951	5,578,392	6,895,751	1,317,359
Expenditures				
Current				
General government	663,805	629,950	569,440	60,510
Judicial	1,519,476	1,570,311	1,457,906	112,405
Financial administration	595,741	595,741	566,371	29,370
Public facilities	386,500	396,501	348,970	47,531
Public safety	1,767,375	1,836,791	1,825,042	11,749
Health and welfare	17,700	17,700	16,204	1,496
Conservation and development	252,716	252,716	190,229	62,487
Total expenditures	5,203,313	5,299,710	4,974,162	325,548
Other financing sources (uses)				
Transfers in	380,001	329,560	357,229	27,669
Transfers out	(90,000)	(90,000)	(90,000)	-
Proceeds from insurance	-	-	95,634	95,634
Proceeds from sale of capital assets	-	-	68	68
Total other financing sources (uses)	290,001	239,560	362,931	123,371
Change in fund balance	614,639	518,242	2,284,520	1,766,278
Fund balances at beginning of year	1,210,871	1,210,871	1,210,871	-
Fund balances at end of year	\$ 1,825,510	\$ 1,729,113	\$ 3,495,391	\$ 1,766,278

Mitchell County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –
 Road and Bridge Fund
 Year Ended December 31, 2019

	Budget		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	\$ 107,903	\$ 107,903	\$ 85,332	\$ (22,571)
Licenses and permits	460,000	460,000	331,528	(128,472)
Fines and forfeitures	105,000	105,000	80,051	(24,949)
Investment earnings	89,600	89,600	129,021	39,421
Other revenue	66,500	66,500	170,944	104,444
Total revenues	829,003	829,003	796,876	(32,127)
Expenditures				
Current				
Financial administration	6,960	6,960	6,860	100
Public transportation	1,690,576	1,698,541	1,604,672	93,869
Total expenditures	1,697,536	1,705,501	1,611,532	93,969
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	10,355	10,355
Total other financing sources (uses)	-	-	10,355	10,355
Change in fund balance	(868,533)	(876,498)	(804,301)	72,197
Fund balances at beginning of year	6,548,814	6,548,814	6,548,814	-
Fund balances at end of year	\$ 5,680,281	\$ 5,672,316	\$ 5,744,513	\$ 72,197

Mitchell County, Texas

Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System
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	\$ 325,708	\$ 342,942	\$ 351,689	\$ 330,814	\$ 324,737
Interest on total pension liability	1,135,238	1,071,389	1,002,051	951,352	902,492
Effect of plan changes	-	-	-	(34,026)	-
Effect of assumption changes or inputs	-	120,352	-	139,251	-
Effect of economic/demographic (gains) or losses	(34,877)	(34,939)	(22,296)	(112,424)	(92,160)
Benefit payments/refunds of contributions	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Net change in total pension liability	706,615	829,700	708,700	681,750	555,165
Total pension liability, beginning	14,042,288	13,212,588	12,503,888	11,822,138	11,266,974
Total pension liability, ending (a)	<u>\$ 14,748,903</u>	<u>\$ 14,042,288</u>	<u>\$ 13,212,588</u>	<u>\$ 12,503,888</u>	<u>\$ 11,822,138</u>
Fiduciary Net Position					
Employer contributions	\$ 356,197	\$ 345,245	\$ 374,544	\$ 375,906	\$ 351,196
Member contributions	216,816	210,149	209,743	210,506	196,670
Investment income net of investment expenses	(255,130)	1,747,511	827,152	130,400	725,017
Benefit payments/refunds of contributions	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Administrative expenses	(10,596)	(9,049)	(8,980)	(7,999)	(8,285)
Other	(2,996)	(1,622)	29,609	(15,455)	(60,061)
Net change in fiduciary net position	(415,163)	1,622,190	809,324	100,142	624,633
Fiduciary net position, beginning	13,606,943	11,984,753	11,175,429	11,075,287	10,450,654
Fiduciary net position, ending (b)	<u>\$ 13,191,780</u>	<u>\$ 13,606,943</u>	<u>\$ 11,984,753</u>	<u>\$ 11,175,429</u>	<u>\$ 11,075,287</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,557,123</u>	<u>\$ 435,345</u>	<u>\$ 1,227,835</u>	<u>\$ 1,328,459</u>	<u>\$ 746,851</u>
Fiduciary net position as a percentage of total pension liability	89.44	96.90	90.71	89.38	93.68
Pensionable covered payroll	\$ 3,097,377	\$ 3,002,127	\$ 2,996,324	\$ 3,007,223	\$ 2,809,573
Net pension liability as a percentage of covered payroll	50.27	14.50	40.98	44.18	26.58

Mitchell County, Texas
Schedule of Employer Contributions – Texas County & District Retirement System
Year Ended December 31, 2019

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2010	\$ 217,523	\$ 219,096	\$ (1,573)	\$ 2,247,135	9.8 %
2011	225,188	226,783	(1,595)	2,307,249	9.8
2012	237,225	250,428	(13,203)	2,276,635	11.0
2013	287,384	296,135	(8,751)	2,575,123	11.5
2014	336,868	351,196	(14,328)	2,809,573	12.5
2015	333,200	375,906	(42,706)	3,007,223	12.5
2016	322,704	374,544	(51,840)	2,996,324	12.5
2017	291,807	345,245	(53,438)	3,002,127	11.5
2018	295,800	356,197	(60,397)	3,097,377	11.5
2019	368,673	368,673	-	3,205,858	11.5

Note 1 - Budgetary Information

The County follows these procedures in establishing budgetary data reflected in these financial statements:

In the event the Commissioners' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.

Public hearings are conducted at the Mitchell County Courthouse to obtain taxpayer comments.

Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.

Any amendments which alter expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.

Budgets for the various funds are adopted on a basis other than generally accepted accounting principles (GAAP). The County uses the modified cash basis of accounting for budgeting as well as financial reporting. Budget and actual amounts are recorded on the same basis.

Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.

The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2019.

Note 2 - 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 valuation)	7.6 years (based on contribution rate calculated in 12/31/2018
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9%, average, over career including inflation
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Cost-of-living Adjustments	Cost-of-Living Adjustments for Hale County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes 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 in assumptions that were reflected in the December 31, 2018 valuation.

Mitchell County, Texas
Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds
December 31, 2019

	Public Library Fund	Law Library	Sports Complex Fund	Records Management Court Fee Fund	Records Management SB 770 Fund	Records Management District Clerk Fund	Courthouse Security Fund	District Clerk Records Archive Fund	County Clerk Records Archive Fund	Justice Court Technology Fund
Assets										
Cash and cash equivalents	\$ 48,294	\$ 14,176	\$ 18,451	\$ 24,848	\$ 5,622	\$ 7,696	\$ 119,666	\$ 5,452	\$ 9,553	\$ 11,125
Total assets	<u>\$ 48,294</u>	<u>\$ 14,176</u>	<u>\$ 18,451</u>	<u>\$ 24,848</u>	<u>\$ 5,622</u>	<u>\$ 7,696</u>	<u>\$ 119,666</u>	<u>\$ 5,452</u>	<u>\$ 9,553</u>	<u>\$ 11,125</u>
Fund balance										
Restricted for										
Courthouse security	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,666	\$ -	\$ -	\$ -
Justice court technology	-	-	-	-	-	-	-	-	-	11,125
Enabling legislation	48,294	14,176	-	24,848	5,622	7,696	-	5,452	9,553	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Assigned for										
Other purpose	-	-	-	-	-	-	-	-	-	-
Permanent improvement	-	-	-	-	-	-	-	-	-	-
Capital acquisition	-	-	18,451	-	-	-	-	-	-	-
Total fund balance	<u>\$ 48,294</u>	<u>\$ 14,176</u>	<u>\$ 18,451</u>	<u>\$ 24,848</u>	<u>\$ 5,622</u>	<u>\$ 7,696</u>	<u>\$ 119,666</u>	<u>\$ 5,452</u>	<u>\$ 9,553</u>	<u>\$ 11,125</u>

Mitchell County, Texas
Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds
December 31, 2019

	DA Restitution and Fee Fund	Sheriff Commissary Fund	Sheriff Forfeiture and Seizure Fund	Sheriff Forfeiture and Seizure II Fund	Permanent Improvement Fund	DA Drug Forfeiture Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 7,245	\$ 11,993	\$ 10,254	\$ 62,600	\$ 699,105	\$ 929,438	\$ 1,985,518	\$ 243,469	\$ 2,228,987
Total assets	<u>\$ 7,245</u>	<u>\$ 11,993</u>	<u>\$ 10,254</u>	<u>\$ 62,600</u>	<u>\$ 699,105</u>	<u>\$ 929,438</u>	<u>\$ 1,985,518</u>	<u>\$ 243,469</u>	<u>\$ 2,228,987</u>
Fund balance									
Restricted for									
Courthouse security	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,666	\$ -	\$ 119,666
Justice court technology	-	-	-	-	-	-	11,125	-	11,125
Enabling legislation	-	-	10,254	62,600	-	-	188,495	-	188,495
Law enforcement	7,245	-	-	-	-	929,438	936,683	-	936,683
Debt service	-	-	-	-	-	-	-	243,469	243,469
Assigned for									
Other purpose	-	11,993	-	-	-	-	11,993	-	11,993
Permanent improvement	-	-	-	-	699,105	-	699,105	-	699,105
Capital acquisition	-	-	-	-	-	-	18,451	-	18,451
Total fund balance	<u>\$ 7,245</u>	<u>\$ 11,993</u>	<u>\$ 10,254</u>	<u>\$ 62,600</u>	<u>\$ 699,105</u>	<u>\$ 929,438</u>	<u>\$ 1,985,518</u>	<u>\$ 243,469</u>	<u>\$ 2,228,987</u>

Mitchell County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Nonmajor Governmental Funds
Year Ended December 31, 2019

	Public Library Fund	Law Library	Sports Complex Fund	Records Management Court Fee Fund	Records Management SB 770 Fund	Records Management District Clerk Fund	Courthouse Security Fund	District Clerk Records Archive Fund	County Clerk Records Archive Fund	Justice Court Technology Fund
Revenues										
Taxes	\$ 213,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	9,475	-	-	-	-	-	-	-
Fines and forfeitures	2,560	5,425	-	2,283	19,196	95	9,350	1,500	19,130	6,189
Investment earnings	2,163	248	887	482	166	155	2,461	96	204	176
Other revenue	2,471	-	13,941	-	-	-	-	-	-	-
Total revenues	220,470	5,673	24,303	2,765	19,362	250	11,811	1,596	19,334	6,365
Expenditures										
Current										
General government	-	-	-	-	22,766	-	-	-	-	-
Judicial	-	-	-	-	-	-	12,221	-	21,311	1,430
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	212,377	2,664	97,014	-	-	-	-	-	-	-
Debt service										
Interest	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-
Total expenditures	212,377	2,664	97,014	-	22,766	-	12,221	-	21,311	1,430
Other financing sources (uses)										
Transfers in	-	-	90,000	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	90,000	-	-	-	-	-	-	-
Change in fund balance	8,093	3,009	17,289	2,765	(3,404)	250	(410)	1,596	(1,977)	4,935
Fund balances at beginning of year	40,201	11,167	1,162	22,083	9,026	7,446	120,076	3,856	11,530	6,190
Fund balances at end of year	\$ 48,294	\$ 14,176	\$ 18,451	\$ 24,848	\$ 5,622	\$ 7,696	\$ 119,666	\$ 5,452	\$ 9,553	\$ 11,125

Mitchell County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Nonmajor Governmental Funds
Year Ended December 31, 2019

	DA Restitution and Fee Fund	Sheriff Commissary Fund	Sheriff Forfeiture and Seizure Fund	Sheriff Forfeiture and Seizure II Fund	Permanent Improvement Fund	DA Drug Forfeiture Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 61,802	\$ -	\$ 275,078	\$ 503,292	\$ 778,370
Charges for services	-	-	-	-	-	-	9,475	-	9,475
Fines and forfeitures	7,434	-	-	39,894	-	-	113,056	-	113,056
Investment earnings	147	167	207	1,167	14,807	19,917	43,450	3,428	46,878
Other revenue	-	82,034	-	-	-	-	98,446	-	98,446
Total revenues	7,581	82,201	207	41,061	76,609	19,917	539,505	506,720	1,046,225
Expenditures									
Current									
General government	-	-	-	-	-	-	22,766	-	22,766
Judicial	7,712	-	-	-	-	101,120	143,794	-	143,794
Public safety	-	79,461	522	18,402	-	-	98,385	-	98,385
Culture and recreation	-	-	-	-	59,999	-	372,054	-	372,054
Debt service									
Interest	-	-	-	-	-	-	-	165,870	165,870
Principal retirement	-	-	-	-	-	-	-	360,000	360,000
Total expenditures	7,712	79,461	522	18,402	59,999	101,120	636,999	525,870	1,162,869
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	90,000	-	90,000
Transfers out	-	-	-	-	-	(357,229)	(357,229)	-	(357,229)
Total other financing sources (uses)	-	-	-	-	-	(357,229)	(267,229)	-	(267,229)
Change in fund balance	(131)	2,740	(315)	22,659	16,610	(438,432)	(364,723)	(19,150)	(383,873)
Fund balances at beginning of year	7,376	9,253	10,569	39,941	682,495	1,367,870	2,350,241	262,619	2,612,860
Fund balances at end of year	\$ 7,245	\$ 11,993	\$ 10,254	\$ 62,600	\$ 699,105	\$ 929,438	\$ 1,985,518	\$ 243,469	\$ 2,228,987



Governmental Reporting Section
December 31, 2019

Mitchell County, Texas



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

To the Honorable Judge and Members of the Commissioners’ Court
Mitchell County, Texas
Colorado City, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell County, Texas, (the County) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated June 17, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 that we consider to be a material weakness.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
June 17, 2020

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses	No
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

Finding 2019-001:	Preparation of Financial Statements and Material Audit Adjustment in the Financial Statements
Type of Finding:	Material weakness
Criteria:	Management of the County is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
Condition:	The County does not have an internal control system designed to provide for the timely preparation of accurate financial statements and preparation of the financial statements and related financial statement disclosures. Further, there was a material entry recorded that was detected as a result of audit procedures. Finally, in conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements.
Cause:	The County does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures in a timely manner.

Effect:	Although this circumstance is not unusual for an organization of your size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by County personnel.
Recommendations:	Auditing standards require that auditors communicate this deficiency; however, the County prepares budgetary and other financial reports for Commissioners review on a routine basis, similar to many smaller governmental entities. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
View of Responsible Officials:	Management agrees with the finding. Refer to Corrective Action Plan.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2019

Prepared by Management of
Mitchell County, Texas

Preparation of Financial Statements and Restatement of Fund Balance and Net Position

Finding 2018-001

Finding Summary: We requested that Eide Bailly LLP prepare the draft financial statements and accompanying notes to the financial statements. Eide Bailly LLP proposed audit adjustments, including a restatement of fund balances and net position, that would not have been identified as a result of our existing controls and, therefore, could have resulted in a misstatement of our financial statements.

Status: Ongoing

Finding 2018-002

Finding Summary: The County has not developed an internal control system to provide for the reconciliation of agency funds.

Status: Corrective action was taken.

Preparation of Financial Statements and Restatement of Net Position

Finding 2019-001

Finding Summary: We requested that Eide Bailly LLP prepare the draft financial statements and accompanying notes to the financial statements. Eide Bailly LLP proposed audit adjustments, including a restatement of net position, that would not have been identified as a result of our existing controls and, therefore, could have resulted in a misstatement of our financial statements.

Responsible Individuals: Heidi Harris

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the adjustments proposed during the audit.

Anticipated Completion Date: Ongoing