

Financial Statements
December 31, 2022
Mitchell County, Texas

CATHRINE WILKS CPA LLC

MITCHELL COUNTY, TEXAS
YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners' Court
Mitchell County
Colorado City, Texas 79512

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Mitchell County, Texas, (the County) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

I 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 basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – modified cash basis – general fund, budgetary comparison schedule – modified cash basis – road and bridge fund, and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 my 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*, I have also issued my report dated June 10, 2023, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with

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

Cathrine Wilho CPA LLC

Sweetwater, Texas
June 10, 2023

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis December 31, 2022

This section of Mitchell County's annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2022. 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 \$19,201,432 at December 31, 2022. Of this amount, \$4,477,664 is invested in capital assets, net of related debt, and \$6,709,139 is restricted for various purposes. Unrestricted net position totals \$8,014,629 as seen on page 11.
- During the year, the County's revenue and other financing sources were \$2,650,005 more than expenses and other financing uses as seen on page 15.
- The general fund reported a fund balance this year of \$7,433,863.

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. The statement of net position includes all the government's assets and long-term liabilities on the modified cash basis of accounting. All 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.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis

December 31, 2022

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. The fiduciary fund financial statements can be found on pages 20-21 of this report. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

Government-Wide Financial Analysis

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 \$19,201,432 at the close of the fiscal year ended December 31, 2022.

23% 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 35% of the County's net position is subject to external restrictions. The remaining balance, \$8,014,629, or 42% is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis
December 31, 2022

Statement of Net Position – Modified Cash

	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 14,723,768	\$ 12,073,713
Capital assets	9,163,136	15,405,689
Total Assets	23,886,904	27,479,402
Liabilities		
Noncurrent Liabilities	4,685,472	5,070,524
Net Position		
Net investment in capital assets	4,477,664	10,335,165
Restricted	6,709,139	6,188,322
Unrestricted	8,014,629	5,885,391
Net Position	\$ 19,201,432	\$ 22,408,878

American Rescue Plan Act grant funds in the amount of \$829,883 were received in the second of two tranches. We anticipate using the funds, along with the first tranche payment, in the next few years for various infrastructure projects. We also received \$1,625,000 in a legal settlement regarding the desalination plant. Both of these large sums contributed greatly to our increase in cash.

The County expended \$1,547,291 of cash on capital asset additions in 2022. We also removed \$498,988 in disposed of capital assets which were not fully depreciated. The largest decrease in capital assets was the impairment loss of \$6,758,974 that is discussed more thoroughly in the notes.

Bond obligations decreased a net \$385,052 in 2022.

The County's net position decreased by \$3,207,446. Since the County presently engages in no business-type activities, governmental activities account for all the changes in net position at the government-wide reporting level.

Revenues for the County's governmental activities were \$10,207,879, down by \$320,824 or 3% from the prior year while total expenses were \$8,281,351, up by \$90,099 or nearly 1% compared to the prior year. Revenues increased in investment earnings by \$236,402 with the rate increases that took place in 2022. The other main area that increased was in miscellaneous revenue. This was mainly due to custodial funds held in various accounts that were released to the district attorney in the amount of \$1,360,960.

Several revenue accounts saw decreases in 2022. The main account was capital grants and contributions. The County received \$718,233 in Covid related grants in 2021 that were one time grants and contributions.

A significant portion of the County's revenues, 52% came from property and sales taxes during the current year compared to 55% in the prior year. Another 14% came from charges for services, 9% from grants and contributions, 3% from insurance recoveries, and 18% from miscellaneous revenues.

MITCHELL COUNTY, TEXAS

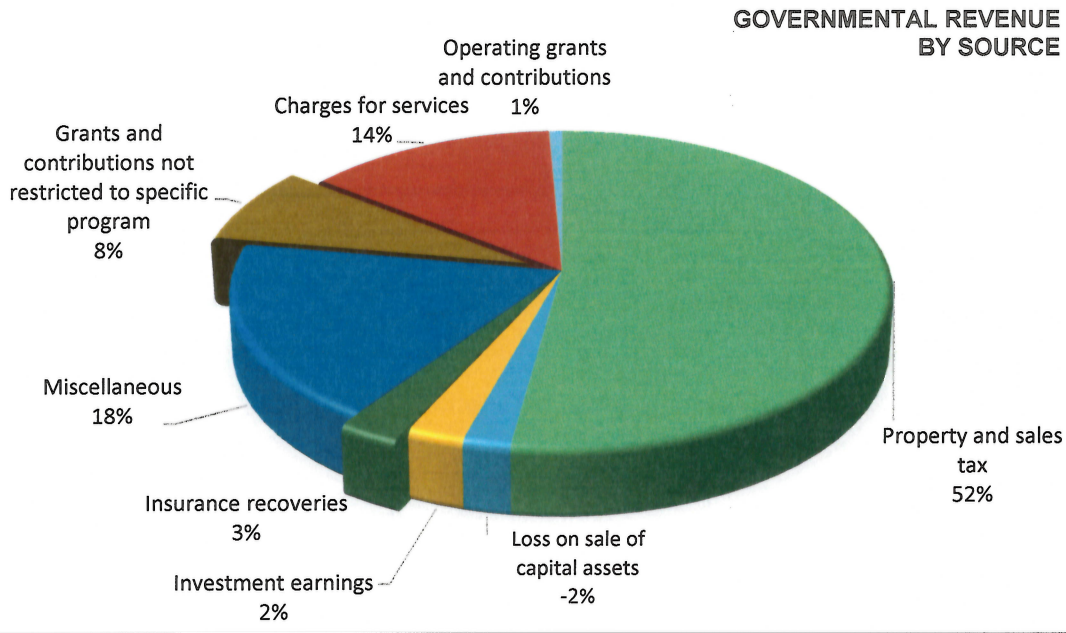
Management's Discussion and Analysis
December 31, 2022

Changes in Net Position – Modified Cash Basis

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 1,460,166	\$ 1,285,388
Operating grants and contributions	78,095	300,169
Capital grants and contributions	-	718,233
General revenues:		
Taxes	5,563,729	5,834,808
Grants and contributions not restricted to specific program	829,883	829,883
Investment earnings	269,536	33,134
Insurance recoveries	291,994	615,930
Loss on sale of capital assets	(227,035)	-
Miscellaneous	1,941,511	911,158
Total revenues	10,207,879	10,528,703
Function / Program Expenses:		
General government	933,222	795,582
Judicial	1,752,892	1,631,030
Financial administration	619,322	589,630
Public facilities	327,513	338,407
Public safety	2,459,419	2,327,015
Public transportation	1,647,652	2,004,070
Health and welfare	14,269	14,055
Culture and recreation	345,363	353,221
Conservation and development	89,151	80,385
Interest on long-term debt	92,548	57,857
Total Expenses	8,281,351	8,191,252
Excess (deficiency) before special items	1,926,528	2,337,451
Special and Extraordinary items:		
Special item	1,625,000	-
Extraordinary item	(6,758,974)	-
Changes in net position	(3,207,446)	2,337,451
Net position – beginning	22,408,878	20,071,427
Net position – ending	\$ 19,201,432	\$ 22,408,878

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis
December 31, 2022



The total cost for all programs and services totaled \$8,281,351 for the year ended December 31, 2022. Of this amount, the largest operating services areas were public safety which totaled \$2,459,419 or 29% of total expenses for the year, public transportation which totaled \$1,647,652 or 19% of total expenses for the year, and judicial expenses which totaled \$1,752,892, or 21% of total expenses for the year. In the prior year, these three operating areas comprised 72% of total expenses. Costs related to general government continued to absorb a significant percentage of the County's total expenses at 11% 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.

The general governmental functions are reported in the General fund. The focus of Mitchell County's governmental funds is to provide information on how money flows in and out of those funds and the balances left at year-end that are available for spending. 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 \$14,720,424, as seen on page 13, as of December 31, 2022, an increase of \$2,650,005 from \$12,070,420 at the end of the prior year.

Approximately 50% 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 4% of the combined fund balances for the governmental funds constitutes assigned fund balances, which is assigned for various purposes, including permanent improvement, and capital acquisition. The remainder of the fund balance, 46%, is restricted for specific purposes.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis

December 31, 2022

During the current fiscal year, the County spent \$9,447,910 on County services and collected revenues (and other financing sources) of \$12,097,915, netting an increase in fund balance of \$2,650,005 as compared to an increase in fund balance of \$1,568,772 during the previous fiscal year. The General Fund is the principal operating fund of the County. The General Fund had a fund balance of \$7,433,863 as of December 31, 2022, up by 35% from the end of the previous fiscal year. This increase is mainly due to the ARPA funds of \$829,883, mentioned previously, and the legal settlement on the desalination plant engineering failures. The increase in District Attorney forfeitures also increased the fund balance.

In the Mitchell County Road and Bridge Funds, the County expended \$1,826,339 primarily on fuel, road repairs and maintenance. Of this amount, \$264,540 was spent on capital outlay. The County collected revenues and other sources of \$1,434,845 netting a \$391,494 decrease in fund balance. Actual revenues and other sources were less than budget by \$137,456 while actual expenditures were \$296,454 less than the budgeted amount for the year. The Road and Bridge Fund had a beginning fund balance of \$4,733,478 and ended the year with a balance of \$4,341,984.

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 sources were more than budgetary estimates by \$1,925,835 and expenditures were less than budgetary estimates by \$162,263. The significant amendments were additional grant revenue of \$829,883 added to the general fund for the ARPA second tranche awarded after the adopted budget. The general fund also had \$291,994 of insurance recovery funds received after the adopted budget. General fund significant expense amendments were to add \$931,297 to public facilities for capital outlay. The Road and Bridge fund had one significant budget amendment to add \$259,040 in capital outlay.

Major variances between final budget and actual for 2022 include:

- Fines and fees exceeded budgeted projections by \$77,746.
- Investment earnings exceeded budgeted projections by \$101,971.
- Judicial expenditures were under budget by \$89,073.
- Legal settlement other financing source exceeded budgeted projections by \$1,625,000.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets At the end of 2022, the County had invested a little over \$20 million 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 and roof replacements. More detailed information about the County's capitalized assets can be found in Note 6 on page 35 of this report.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis December 31, 2022

	2022	2021
Land	\$ 603,970	\$ 603,970
Construction in-progress	414,156	7,013,974
Property held for resale	255,000	-
Buildings and improvements	13,866,960	13,606,576
Furniture, machinery and equipment	5,322,769	4,949,007
Total historical cost	20,462,855	26,173,527
Accumulated Depreciation	(11,299,719)	(10,767,839)
Net Capital Assets	\$ 9,163,136	\$ 15,405,689

Long Term Obligations As of December 31, 2022, the County had a little over \$4.5 million of general obligation bonds payable.

	2022	2021
Bonds Payable	\$ 4,685,472	\$ 5,070,524

During the year, Mitchell County's long-term obligations decreased by \$385,052. More detailed information about the County's long-term liabilities can be found in Note 7 on pages 37-38 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 2023 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 2023 is \$0.526775, a decrease from 2022's tax rate of \$0.571687.
- The 2023 budget was approved for \$10,629,867, an increase of \$1,333,683 from the 2022 budgeted expenditures of \$9,296,184.
- 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, 2022

	<u>Primary Government Governmental Activities</u>
Assets	
Current cash and cash equivalents	\$ 14,723,768
Capital assets (net of accumulated depreciation)	
Land	603,970
Construction in-progress	414,156
Property held for resale	255,000
Buildings and improvements	6,907,013
Furniture, machinery and equipment	<u>982,997</u>
Capital assets, net	<u>9,163,136</u>
Total assets	<u>23,886,904</u>
Liabilities	
Noncurrent liabilities	
Due within one year	400,052
Due in more than one year	<u>4,285,420</u>
Total liabilities	<u>4,685,472</u>
Net Position	
Net investment in capital assets	4,477,664
Restricted for:	
Debt service	250,151
Courthouse security	132,838
Justice court technology	19,893
Enabling legislation	361,106
Law enforcement	1,603,166
Road and bridge	4,341,985
Unrestricted (deficit)	<u>8,014,629</u>
Total net position	<u>\$ 19,201,432</u>

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2022

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government	\$ 933,222	\$ -	\$ -	\$ -	\$ (933,222)
Judicial	1,752,892	635,748	78,095	-	(1,039,049)
Financial administration	619,322	91,662	-	-	(527,660)
Public facilities	327,513	-	-	-	(327,513)
Public safety	2,459,419	370,447	-	-	(2,088,972)
Public transportation	1,647,652	340,338	-	-	(1,307,314)
Health and welfare	14,269	-	-	-	(14,269)
Culture and recreation	345,363	21,972	-	-	(323,391)
Conservation and development	89,151	-	-	-	(89,151)
Interest on long-term debt	92,548	-	-	-	(92,548)
Total primary government	\$ 8,281,351	\$ 1,460,166	\$ 78,095	\$ -	(6,743,090)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					5,116,111
Sales tax					447,618
Grants and contributions not restricted to specific program					829,883
Investment earnings					269,536
Insurance recoveries					291,994
Loss on sale of capital assets					(227,035)
Miscellaneous revenue					1,941,511
Special and extraordinary items:					
Special item					1,625,000
Extraordinary item					(6,758,974)
Total general revenues and special items					3,535,644
Change in net position					(3,207,446)
Net position - beginning of year					22,408,878
Net position - end of year					\$ 19,201,432

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Balance Sheet - Modified Cash Basis Governmental Funds December 31, 2022

	General Fund	Road and Bridge Fund	District Attorney Drug Forfeiture Fund	Other Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,433,863	\$ 4,341,984	\$ 1,597,642	\$ 1,346,935	\$ 14,720,424
Total assets	\$ 7,433,863	\$ 4,341,984	\$ 1,597,642	\$ 1,346,935	\$ 14,720,424
Fund balances:					
Restricted for:					
Courthouse security	\$ -	\$ -	\$ -	\$ 132,838	\$ 132,838
Justice court technology	-	-	-	19,893	19,893
Enabling legislation	-	-	-	361,107	361,107
Law enforcement	-	-	1,597,642	5,525	1,603,167
Debt service	-	-	-	250,151	250,151
Road and bridge	-	4,341,984	-	-	4,341,984
Assigned for:					
Permanent improvement	-	-	-	535,939	535,939
Other purpose	-	-	-	41,482	41,482
Unassigned	7,433,863	-	-	-	7,433,863
Total fund balances	\$ 7,433,863	\$ 4,341,984	\$ 1,597,642	\$ 1,346,935	\$ 14,720,424

The accompanying notes are an integral part of the financial statements.

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
For the Year Ended December 31, 2022

Total Fund Balances - Governmental Funds	\$ 14,720,424
Amounts reported for governmental activities in the statement of net position are different because:	
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.	3,344
Capital assets of \$20,462,855, net of accumulated depreciation of \$11,299,719, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,163,136
Long-term liabilities of \$4,685,472 are not due and payable in the current period, and therefore are not reported in the funds.	<u>(4,685,472)</u>
Net position of governmental activities	<u>\$ 19,201,432</u>

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Road and Bridge Fund	District Attorney Drug Forfeiture Fund	Other Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,998,349	\$ 869,319	\$ -	\$ 696,061	\$ 5,563,729
Intergovernmental revenue	907,978	-	-	-	907,978
Charges for services	54,737	-	-	-	54,737
Fines and fees	835,696	56,203	-	78,977	970,877
Licenses and permits	64,314	340,338	-	-	404,652
Rents and royalties	29,900	-	-	-	29,900
Investment earnings	121,971	92,960	28,882	25,726	269,539
Other revenue	113,360	69,749	1,370,609	387,795	1,941,513
Total revenues	6,126,305	1,428,569	1,399,491	1,188,559	10,142,924
Expenditures					
Current					
General government	906,663	-	-	15,255	921,918
Judicial	1,552,064	-	274,801	10,957	1,837,822
Financial administration	613,825	-	-	-	613,825
Public facilities	1,218,055	-	-	-	1,218,055
Public safety	1,916,231	-	-	128,598	2,044,829
Public transportation	-	1,826,339	-	-	1,826,339
Health and welfare	14,269	-	-	-	14,269
Culture and recreation	104,620	-	-	299,815	404,435
Conservation and development	88,817	-	-	-	88,817
Debt service					
Interest	-	-	-	152,600	152,600
Principal retirement	-	-	-	325,000	325,000
Total expenditures	6,414,545	1,826,339	274,801	932,225	9,447,910
Excess (deficiency) of revenues over (under) expenditures	(288,240)	(397,770)	1,124,690	256,334	695,014
Other financing sources (uses)					
Transfers in	275,832	-	-	-	275,832
Transfers out	-	-	(273,644)	(2,188)	(275,832)
Sale of capital assets	31,721	6,276	-	-	37,997
Insurance recoveries	291,994	-	-	-	291,994
Special Item: Legal settlement	1,625,000	-	-	-	1,625,000
Total other financing sources and (uses)	2,224,547	6,276	(273,644)	(2,188)	1,954,991
Net change in fund balances	1,936,307	(391,494)	851,046	254,146	2,650,005
Fund balances - beginning	5,497,556	4,733,478	746,596	1,092,790	12,070,420
Fund balances - ending	\$ 7,433,863	\$ 4,341,984	\$ 1,597,642	\$ 1,346,935	\$ 14,720,424

The accompanying notes are an integral part of the financial statements.

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
For the Year Ended December 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 2,650,005
<p>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.</p>		
		51
<p>Current year capital outlays, removals, and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as changes in capital assets and reductions in long-term debt in the government-wide financial statements.</p>		
Capital outlay	1,547,291	
Impairment loss	(6,758,974)	
Capital asset removals	(265,032)	
Principal payments	325,000	(5,151,716)
<p>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.</p>		
		(765,836)
<p>The amortization of premium on bonds payable increases net position</p>		
		60,052
Change in net position of governmental activities - Statement of Activities		<u>\$ (3,207,446)</u>

MITCHELL COUNTY, TEXAS

Statement of Net Position - Modified Cash Basis Proprietary Funds December 31, 2022

	<u>Internal Service Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,344
Total current assets	<u>3,344</u>
Net Position	
Unrestricted	3,344
Total net position	<u>\$ 3,344</u>

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services:	\$ 79,378
Total operating income	<u>79,378</u>
Operating expenses:	
Personnel services - Employee benefits	<u>79,327</u>
Total operating expenses	<u>79,327</u>
Operating income (loss)	<u>51</u>
Change in net position	51
Total net position - beginning	3,293
Total net position - ending	<u><u>\$ 3,344</u></u>

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Statement of Cash Flows - Modified Cash Basis Proprietary Funds For the Year Ended December 31, 2022

	<u>Internal Service Funds</u>
Cash Flows From Operating Activities	
Receipts from user charges	\$ 79,378
Payments to providers	<u>(79,327)</u>
Net cash provided (used) by operating activities	<u>51</u>
Change in cash and cash equivalents	51
Cash and cash equivalents at beginning of year	3,293
Cash and cash equivalents at end of year	<u>\$ 3,344</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 51</u>

The accompanying notes are an integral part of the financial statements.

MITCHELL COUNTY, TEXAS

Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 1,404,412
Certificates of deposit	17,175
Total assets	<u>1,421,587</u>
 Net Position	
Restricted for:	
Individuals and organizations	271,968
Other governments	1,149,619
Total net position	<u>\$ 1,421,587</u>

MITCHELL COUNTY, TEXAS

Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2022

	<u>Custodial Funds</u>
Additions	
Collected for other governments	\$ 26,989,977
Collected for individuals	645,051
Collected from other governments	4,593
Investment earnings - interest	6,111
Total Additions	<u>27,645,731</u>
Deductions	
Payments to other governments	27,395,982
Payments to individuals	56,484
Administration fee	129,271
Total deductions	<u>27,581,737</u>
Net increase (decrease) in fiduciary net position	63,994
Total net position - beginning	<u>1,357,593</u>
Total net position - ending	<u><u>\$ 1,421,587</u></u>

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MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

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 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. Fiduciary funds have not been included in the government-wide financial statements.

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

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.

Budget

The County's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31. The annual budget is prepared in accordance with the modified cash basis method of accounting. Budgets are adopted for the general fund, the selected special revenue funds. The District Attorney Drug Forfeiture fund is one of the special revenue funds that is not legally required to have an adopted budget even though it is considered a major special revenue fund. Budgeted amounts are as originally adopted, or as amended during the fiscal year by the Commissioners' Court.

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. Specifically, this means that capital leases, net pension liability, and deferred inflows and outflows of resources related to pensions are not recorded since they are not cash transactions as mentioned above.

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:

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

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.

District Attorney Drug Forfeiture Fund

The District Attorney Drug Forfeiture Fund is a special revenue fund that is used to account for funds generated by asset seizures. These funds are governed by the Texas Code of Criminal Procedure.

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 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 of the County's bonds.

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

Custodial 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.

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

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:

<u>Assets</u>	<u>Years</u>
Building and improvements	5-30
Furniture and equipment	5-10
Vehicles and Heavy equipment	3-10

Long-Term Obligations

In the government-wide financial statements, only long-term bonded debt is reported as liabilities in the governmental activities statement of net position under the modified accrual basis of accounting.

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

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 countywide 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

In addition to the \$250,000 insurance on accounts provided by Federal Deposit Insurance Corporation (FDIC) regulations, an irrevocable standby letter of credit in the amount of \$16,000,000 was pledged by the depository bank to secure all bank deposits. The County's cash deposits at December 31, 2022, were entirely covered by FDIC insurance or irrevocable standby letter of credit. The irrevocable standby letter of credit is held in the member name of First Bank & Trust Company with the County of Mitchell as beneficiary at FHL Bank Dallas. At year end, the carrying amount of deposits totaled \$16,145,355. The respective bank balances totaled \$16,107,300.

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:

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

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

Transfers from Non-major Governmental Funds to

General Fund	<u>\$ 275,832</u>
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Transfers from special revenue funds were for salary reimbursements and the closing of the Sports Complex fund into the general fund.

**Note 5 - Pension Plan
Plan Description**

The County provides retirement, disability, and death benefits for all 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 serving more than 830 participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at Barton Oaks Plaza IV, Ste. 500, 901 S MoPac Expressway, Austin, Texas 78746 or at <https://www.tcdrs.org>.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

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 postemployment 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, 2021 consisted of the following:

Inactive Employees' Accounts:	
Receiving benefits	64
Entitled to but not yet receiving benefits	51
Total Inactive Employees	<u>115</u>
Active Employees' Accounts	69

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	
	2021	2022
Member	7.0%	7.0%
Employer	11.5%	11.5%
Member contributions	\$ 216,015	\$ 215,326
Employer contributions	\$ 354,883	\$ 353,750

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Valuation Date	December 31, two years prior to end of fiscal year in which contributions are reported
Actuarial cost method	Entry age (level percent of pay)
Amortization method	Straight-line over expected working life
Remaining amortization period	6.5 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Discount rate	7.60%
Long-term expected investment rate of return	7.60% (Gross of administrative expenses)
Salary increases	4.7%, average, varies by age and service
Payroll growth rate	3.00%

Disability rates for males and females were as follows:

Age	Male and Female Occupational	Male and Female All other causes
Less than 25	0.00001	0.00000
25	0.00001	0.00003
26	0.00001	0.00006
27	0.00001	0.00009
28	0.00001	0.00011
29	0.00001	0.00013
30	0.00001	0.00014
31	0.00001	0.00016
32	0.00001	0.00018
33	0.00001	0.00020
34	0.00001	0.00023
35	0.00001	0.00025
36	0.00001	0.00028
37	0.00001	0.00030
38	0.00001	0.00034
39	0.00001	0.00038
40	0.00001	0.00042
41	0.00001	0.00046
42	0.00001	0.00050
43	0.00001	0.00058
44	0.00001	0.00066
45	0.00001	0.00074
46	0.00001	0.00082
47	0.00001	0.00090
48	0.00001	0.00099
49	0.00001	0.00108
50	0.00001	0.00117
51	0.00001	0.00126
52	0.00001	0.00135
53	0.00001	0.00144
54	0.00001	0.00153
55	0.00001	0.00162
56	0.00001	0.00171

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Age	Male and Female	Male and Female
	Occupational	All other causes
57	0.00001	0.00180
58	0.00001	0.00189
59	0.00001	0.00198
60 and above	-	-

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.

Mortality rates for depositing members were based on 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were based on 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirement rates for males and females were as follows:

Age	Active Svc > 15	Active Svc 15-24	Active Svc 25-29	Active Svc 30+	Deferred All Svc
40-49	5.3%	6.3%	7.7%	8.8%	0.0%
50-51	5.6	6.8	8.3	9.4	0.0
52-53	6.0	7.2	8.8	10.0	0.0
54-56	6.8	8.1	9.9	11.3	0.0
57-59	7.5	9.0	11.0	12.5	0.0
60-61	9.0	10.8	13.2	15.0	12.0
62	13.5	16.2	19.8	22.5	18.0
63-64	11.3	13.5	16.5	18.8	15.0
65-66	22.5	22.5	27.5	27.5	25.0
67	21.6	21.6	26.4	26.4	24.0
68-69	18.9	18.9	23.1	23.1	21.0
70-74	20.7	20.7	25.3	25.3	23.0
75 & above	100.0	100.0	100.0	100.0	100.0

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017 - 2020, except where required to be different by GASB 68. They were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2021 and first used in the Dec. 31, 2021 actuarial valuation. For new plans joining TCDRS, employer-specific assumptions for termination rates and payroll increases are assigned based on the size of the employer and other relevant factors.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. There was no change in the discount rate from the previous year.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under 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 for GASB 68 purposes. Therefore, TCDRS has used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, 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 2022 information for a 10-year time horizon.

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

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

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

² Geometric real rates of return in addition to assumed inflation of 2.60%, per Cliffwater's 2022 capital market assumptions.

³ Includes vintage years 2005-present of quarter Pooled Horizon IRRs.

⁴ Includes vintage years 2007-present of quarter Pooled Horizon IRRs.

⁵ Includes vintage years 2006-present of quarter Pooled Horizon IRRs.

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

At December 31, 2022, the County has a net pension asset of \$1,959,786 measured at December 31, 2021.

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

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

Discount Rate Sensitivity Analysis

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

	1% Decrease	Discount Rate	1% Increase
	(6.60%)	(7.60%)	(8.60%)
Total pension liability	\$ 18,907,168	\$ 16,985,684	\$ 15,357,452
Fiduciary net position	18,945,470	18,945,470	18,945,470
Net pension liability (asset)	(\$38,302)	(\$1,959,786)	(\$3,588,018)

Changes in the net pension liability for the measurement year ended December 31, 2021 are as follows:

<u>Changes in Net Position Liability / (Asset)</u>	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability /(Asset) (a) – (b)
Balances at December 31, 2020	\$ 16,650,811	\$ 16,015,902	\$ 634,909
Changes for the year			
Service cost	373,858	-	373,858
Interest on total pension liability ⁽¹⁾	1,253,571	-	1,253,571
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(98,719)	-	(98,719)
Effect of assumptions changes or inputs	(113,437)	-	(113,437)
Refund of contributions	(43,647)	(43,647)	-
Benefit payments	(1,036,753)	(1,036,753)	-
Administrative expenses	-	(10,250)	10,250
Member contributions	-	216,015	(216,015)
Net investment income	-	3,459,344	(3,459,344)
Employer contributions	-	354,883	(354,883)
Other ⁽³⁾	-	(10,024)	10,024
Balances as of December 31, 2021	<u>\$ 16,985,684</u>	<u>\$ 18,945,470</u>	<u>\$ (1,959,786)</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.

At December 31, 2021, the County's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,356	\$ 69,926
Changes in actuarial assumptions	404,783	75,625
Net differences between projected and actual earnings	-	2,195,847
Contributions subsequent to the measurement date	353,750	-
Total	<u>\$ 763,889</u>	<u>\$ 2,341,398</u>

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$353,750 will be recognized as a reduction of the net pension liability for the year ended December 31, 2023. Other amounts incurred but not reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Plan Year ending	
Dec 31:	
2022	\$ (340,376)
2023	(615,921)
2024	(522,583)
2025	(452,379)
2026	-
Thereafter	-
Total	<u>\$ (1,931,259)</u>

Note 6 - Capital Assets

The changes in capital assets for the year ended December 31, 2022 are as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 603,970	\$ -	\$ -	\$ 603,970
Construction in-progress	7,013,974	414,156	(7,013,974)	414,156
Property held for resale	-	255,000	-	255,000
Total non-depreciable assets	<u>7,617,944</u>	<u>669,156</u>	<u>(7,013,974)</u>	<u>1,273,126</u>
Depreciable assets:				
Buildings and improvements	13,606,576	708,385	(448,000)	13,866,960
Furniture and equipment	507,647	20,135	-	527,782
Vehicles and heavy equipment	4,441,360	404,615	(50,988)	4,794,987
Total Depreciable assets	<u>18,555,583</u>	<u>1,133,135</u>	<u>(498,988)</u>	<u>19,189,729</u>
Less accumulated depreciation:				
Buildings and improvements	(6,576,206)	(584,256)	200,515	(6,959,947)
Furniture and equipment	(339,660)	(33,210)	-	(372,870)
Vehicles and heavy equipment	(3,851,973)	(148,370)	33,441	(3,966,902)
Total accumulated depreciation	<u>(10,767,839)</u>	<u>(765,836)</u>	<u>233,956</u>	<u>(11,299,719)</u>
Depreciable assets, net	<u>7,787,744</u>	<u>367,299</u>	<u>(265,032)</u>	<u>7,890,010</u>
		\$		
Governmental activities capital assets, net	<u>\$ 15,405,688</u>	<u>1,036,455</u>	<u>\$ (7,279,006)</u>	<u>\$ 9,163,136</u>

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

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

General government	\$ 146,156
Judicial	2,299
Financial administration	5,497
Public facilities	1,288
Public safety	472,885
Public transportation	85,853
Culture and recreation	51,524
Conservation and development	<u>334</u>
Total depreciation expense	<u>\$ 765,836</u>

The County has construction-in-progress on roof repairs. The amount expended as of December 31, 2022 is \$414,156. The roofing project will be completed in 2023.

Note 7 - Long-Term Obligations

Bonds Payable

On December 1, 2020, the County issued \$4,460,000 in General Obligation Refunding Bonds, Series 2020. Interest is due semiannually at rates ranging from 4% down to 2%. The bonds mature serially through 2032. The purpose of the bonds is to refund the 2012 bonds, which were issued for the purpose of construction of a new jail facility. The balance payable at December 31, 2022 was \$4,135,000.

The following table summarizes the annual debt service requirements of the outstanding bonds December 31, 2022, to maturity:

Years Ending <u>December 31st</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirement</u>
2023	340,000	139,300	479,300
2024	355,000	125,400	480,400
2025	370,000	110,900	480,900
2026	385,000	95,800	480,800
2027	405,000	80,000	485,000
2028 - 2032	<u>2,280,000</u>	<u>157,450</u>	<u>2,437,450</u>
	<u>\$ 4,135,000</u>	<u>\$ 708,850</u>	<u>\$ 4,843,850</u>

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

Leases

On October 26, 2020, the County entered into a long-term lease agreement with First National Bank Leasing in the amount of \$175,948 at an annual interest rate of 2.75% for a period of 5 years for the purpose of acquiring a Motor Grader for precinct 2. Payments are due annually at an amount of \$43,227 with a final maturity in fiscal year 2025.

On September 28, 2020, the County entered into a long-term lease agreement with First National Bank Leasing in the amount of \$203,675 at an annual interest rate of 2.75% for a period of 4 years for the purpose of acquiring a Motor Grader for precinct 4. Payments are due annually at an amount of \$46,158 with a final maturity in fiscal year 2024.

On October 12, 2021, the County entered into a long-term lease agreement with First National Bank Leasing in the amount of \$189,800 at an annual interest of 2.75% for a period of five years for the purpose of acquiring a Motor Grader for precinct 1. Payments are due annually at an amount of \$40,312 with a final maturity in fiscal year 2026.

The County has not recorded these lease payables as the financial statements are presented under the modified cash basis, nor have they recorded right-to-use leased equipment and accumulated depreciation. Future minimum lease payments, for disclosure purposes, are as follows:

Years Ending December 31 st	
2023	129,698
2024	129,698
2025	83,539
2026	<u>40,312</u>
Total minimum lease payments	383,247
Less amount representing interest	<u>(21,010)</u>
Present value of minimum lease payments	<u>\$ 362,237</u>

Total interest expense on leases for the year ended December 31, 2022 was \$9,299. Lease payables are liquidated through payments made by the Road and Bridge Fund.

Compensated Absences

Vacation

Employees who have worked for less than 10 years in a position eligible to receive vacation shall earn vacation at the rate of 4 hours per pay period, which is equivalent to 104 hours per year. Employees who have worked for 10 or more years in a position eligible to receive vacation shall accrue vacation at the rate of 5 hours per pay period, which is equivalent to 130 hours per year.

Vacation shall not be accrued while an employee is on leave without pay. Accrual of vacation shall begin at the time an employee begins work in a position eligible to accrue vacation, but an employee must work for a minimum of 6 months in such a position before being eligible to take any vacation.

The maximum amount of unused vacation an employee shall be allowed to carryover with service of 10 years and under, at the end of the fiscal year at one time is 144. The maximum amount of unused vacation an employee shall be allowed to carryover with service of 10 years and over, at the end of the fiscal year at one time is 168.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Sick Leave

Full time employees are eligible for the sick leave benefit. Part-time and seasonal employees are not eligible. Eligible employees shall accrue sick leave at a rate of 4 hours per pay period. Accrual of sick leave shall start at the time an individual begins work for the County in a position eligible for the sick leave benefit.

The maximum amount of unused sick time an employee shall be allowed to carryover with service of 10 years and under, at the end of the fiscal year at one time is 144. The maximum amount of unused sick time an employee shall be allowed to carryover with service of 10 years and over, at the end of the fiscal year at one time is 168.

The estimated liability for unpaid vacation at December 31, 2022 is \$58,596. 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, 2022, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,460,000	\$ -	\$ 325,000	\$ 4,135,000	\$ 340,000
Bond premium	<u>610,524</u>	<u>-</u>	<u>60,052</u>	<u>550,472</u>	<u>60,052</u>
Total governmental activities long-term liabilities	<u>\$ 5,070,524</u>	<u>\$ -</u>	<u>\$ 385,052</u>	<u>\$ 4,685,472</u>	<u>\$ 400,052</u>

Note 8 - Risk Management and Uncertainties

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2022

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). The County has no nonspendable fund balances at December 31, 2022.
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). The County has no committed fund balances at December 31, 2022.
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. This intent is expressed by the Commissioners' Court and can be made in the budgetary process.
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, 2022, the restricted fund balance is composed of the following:

Public library	\$ 72,397
Law library	24,445
Specialty court	2,901
Records management court fee	28,019
Records management SB 770	17,660
Records management district clerk	12,553
Courthouse security	132,838
District clerk records archive	8,765
County clerk records archive	54,358
Justice court technology	19,893
DA restitution	5,525
Sheriff forfeiture and seizure	7,695
Sheriff forfeiture and seizure II	132,314
DA drug forfeiture	1,597,641
Road and bridge	4,341,985
Debt service	<u>250,151</u>
	<u>\$ 6,709,140</u>

Funds restricted by enabling legislation total \$6,458,989 and funds restricted by debt covenants are \$250,151 at December 31, 2022.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Assigned Fund Balance

At December 31, 2022, the assigned fund balance is composed of the following:

Sheriff commissary	\$ 41,482
Permanent improvement	<u>535,939</u>
	<u>\$ 577,421</u>

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2022

Note 10 - Special and Extraordinary Items

Lawsuit Settlement – Special Item

The County has settled a lawsuit with the engineering firm regarding the desalination plant in the amount of \$1,625,000.

Impairment Loss – Extraordinary Item

The County incurred an impairment loss on their desalination plant which is not in use that has been reclassified from construction in-progress to property held for resale. Fair value measurements of impaired capital assets are categorized based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted priced in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Based on an offer made for the property (Level 3 inputs), the desalination plant has been written down from \$7,013,974 to \$255,000.

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REQUIRED SUPPLEMENTARY INFORMATION

MITCHELL COUNTY, TEXAS

General Fund Budgetary Comparison Schedule - Modified Cash Basis For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,960,589	\$ 3,960,589	\$ 3,998,349	\$ 37,760
Intergovernmental	86,533	916,416	907,978	(8,438)
Charges for services	50,000	50,000	54,737	4,737
Fines and fees	757,950	757,950	835,696	77,746
Licenses and permits	66,700	66,700	64,314	(2,386)
Rents and royalties	20,100	20,100	29,900	9,800
Investment earnings	20,000	20,000	121,971	101,971
Other revenue	98,600	98,600	113,360	14,760
Total revenues	<u>5,060,472</u>	<u>5,890,355</u>	<u>6,126,305</u>	<u>235,950</u>
Expenditures				
Current:				
General government	816,575	910,960	906,663	4,297
Judicial	1,693,051	1,641,137	1,552,064	89,073
Financial administration	622,912	622,912	613,825	9,087
Public facilities	301,100	1,232,397	1,218,055	14,342
Public safety	1,845,658	1,951,658	1,916,231	35,427
Health and welfare	17,700	17,700	14,269	3,431
Culture and recreation	79,515	107,645	104,620	3,025
Conservation and development	92,447	92,399	88,817	3,582
Total expenditures	<u>5,468,958</u>	<u>6,576,808</u>	<u>6,414,545</u>	<u>162,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(408,486)</u>	<u>(686,453)</u>	<u>(288,240)</u>	<u>398,213</u>
Other financing sources (uses)				
Transfers in	232,668	232,668	275,832	43,164
Sale of capital assets	10,000	10,000	31,721	21,721
Legal settlement	-	-	1,625,000	1,625,000
Insurance recoveries	-	291,994	291,994	-
Total other financing sources and (uses)	<u>242,668</u>	<u>534,662</u>	<u>2,224,547</u>	<u>1,689,885</u>
Net change in fund balances	(165,818)	(151,791)	1,936,307	2,088,098
Fund balances - beginning	5,497,556	5,497,556	5,497,556	-
Fund balances - ending	<u>\$ 5,331,738</u>	<u>\$ 5,345,765</u>	<u>\$ 7,433,863</u>	<u>\$ 2,088,098</u>

MITCHELL COUNTY, TEXAS

Road and Bridge Fund Budgetary Comparison Schedule - Modified Cash Basis For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 906,801	\$ 906,801	\$ 869,319	\$ (37,482)
Intergovernmental revenue	-	-	-	-
Licenses and permits	470,000	470,000	340,338	(129,662)
Fines and fees	95,000	95,000	56,203	(38,797)
Investment earnings	24,000	24,000	92,960	68,960
Other revenue	76,500	76,500	69,749	(6,751)
Total revenues	<u>1,572,301</u>	<u>1,572,301</u>	<u>1,428,569</u>	<u>(143,732)</u>
Expenditures				
Current:				
Public transportation	1,863,753	2,122,793	1,826,339	296,454
Total expenditures	<u>1,863,753</u>	<u>2,122,793</u>	<u>1,826,339</u>	<u>296,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(291,452)</u>	<u>(550,492)</u>	<u>(397,770)</u>	<u>152,723</u>
Other financing sources (uses)				
Sale of capital assets	-	-	6,276	6,276
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>6,276</u>	<u>6,276</u>
Net change in fund balances	(291,452)	(550,492)	(391,494)	158,999
Fund balances - beginning	4,733,478	4,733,478	4,733,478	-
Fund balances - ending	<u>\$ 4,442,026</u>	<u>\$ 4,182,986</u>	<u>\$ 4,341,984</u>	<u>\$ 158,999</u>

MITCHELL COUNTY, TEXAS

Texas County & District Retirement System
 Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 years (will ultimately be displayed)

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total pension liability								
Service cost	\$ 373,858	\$ 360,202	\$ 328,135	\$ 325,708	\$ 342,942	\$ 351,689	\$ 330,814	\$ 324,737
Interest on total pension liability	1,253,571	1,227,012	1,182,058	1,135,238	1,071,389	1,002,051	951,352	902,492
Effect of plan changes	-	-	-	-	-	-	(34,026)	-
Effect of economic/demographic (gains) or losses	(98,719)	(9,225)	21,430	(34,877)	(34,939)	(22,296)	(112,424)	(92,160)
Effect of assumption changes or inputs	(113,437)	809,567	-	-	120,352	-	139,251	-
Benefit payments/refunds of contributions	(1,080,400)	(1,031,592)	(986,678)	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Net change in total pension liability	334,873	1,356,963	544,945	706,615	829,700	708,700	681,750	555,165
Total pension liability, beginning	16,650,811	15,293,848	14,748,903	14,042,288	13,212,588	12,503,888	11,822,138	11,266,974
Total pension liability, ending (a)	\$ 16,985,684	\$ 16,650,811	\$ 15,293,848	\$ 14,748,903	\$ 14,042,288	\$ 13,212,588	\$ 12,503,888	\$ 11,822,138

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Plan Fiduciary Net Position

Employer contributions	\$ 354,883	\$ 364,299	\$ 368,673	\$ 356,197	\$ 345,245	\$ 374,544	\$ 375,906	\$ 351,196
Member contribution	216,015	221,747	224,409	216,816	210,149	209,743	210,506	196,670
Net investment income	3,459,344	1,542,715	2,166,753	(255,130)	1,747,511	827,152	130,400	725,017
Benefit payments, including refunds of employee contributions	(1,080,400)	(1,031,592)	(986,678)	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Administrative Expense	(10,250)	(11,719)	(11,386)	(10,596)	(9,049)	(8,980)	(7,999)	(8,285)
Other	(10,024)	(11,703)	(11,394)	(2,996)	(1,622)	29,609	(15,455)	(60,061)
Net change in Plan Fiduciary Net Position	2,929,569	1,073,746	1,750,377	(415,163)	1,622,190	809,324	100,141	624,633
Plan Fiduciary Net Position - Beginning	16,015,902	14,942,156	13,191,780	13,608,943	11,984,753	11,175,429	11,075,288	10,450,654
Plan Fiduciary Net Position - Ending (b)	\$ 18,945,470	\$ 16,015,902	\$ 14,942,156	\$ 13,191,780	\$ 13,608,943	\$ 11,984,753	\$ 11,175,429	\$ 11,075,287

Net Pension Liability - Ending (a) - (b)	\$ (1,959,786)	\$ 634,909	\$ 351,692	\$ 1,557,123	\$ 435,345	\$ 1,227,835	\$ 1,328,459	\$ 746,851
Fiduciary net position as a % of total pension liability	111.54%	96.19%	97.70%	89.44%	96.90%	90.71%	89.38%	93.68%
Pensionable covered payroll	\$ 3,085,935	\$ 3,167,808	\$ 3,205,846	\$ 3,097,377	\$ 3,002,127	\$ 2,986,324	\$ 3,007,223	\$ 2,809,573
Net pension liability as a % of covered payroll	-63.51%	20.04%	10.97%	50.27%	14.50%	40.98%	44.18%	26.58%

See notes to required supplementary information

MITCHELL COUNTY, TEXAS

Texas County & District Retirement System
Schedule of Pension Contributions
Last 10 years

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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	302,311	368,673	(66,362)	3,205,846	11.5%
2020	310,445	364,299	(53,854)	3,167,808	11.5%
2021	280,203	354,883	(74,680)	3,085,935	11.5%

MITCHELL COUNTY, TEXAS

Notes to Required Supplementary Information
December 31, 2022

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.

The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2022.

MITCHELL COUNTY, TEXAS

Notes to Required Supplementary Information
December 31, 2022

Note 2 - Net Pension Liability - Texas County & District Retirement System

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.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	6.5 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in assumptions and methods reflected in the schedule of employer contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in plan provisions reflected in the schedule of employer contributions*	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule 2021: No changes in plan provisions were reflected in the Schedule

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

MITCHELL COUNTY, TEXAS

Combining Balance Sheet - Modified Cash Basis
 Nonmajor Governmental Funds
 December 31, 2022

	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	\$ 72,397	\$ 24,445	\$ -	\$ 28,019	\$ 17,660	\$ 12,553	\$ 132,838	\$ 8,765	\$ 54,358	\$ 19,893
Total assets	\$ 72,397	\$ 24,445	\$ -	\$ 28,019	\$ 17,660	\$ 12,553	\$ 132,838	\$ 8,765	\$ 54,358	\$ 19,893
Fund Balances										
Restricted for:										
Courthouse security	-	-	-	-	-	-	132,838	-	-	-
Justice court technology	-	-	-	-	-	-	-	-	-	19,893
Enabling legislation	72,397	24,445	-	28,019	17,660	12,553	-	8,765	54,358	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Assigned for:										
Other purposes	-	-	-	-	-	-	-	-	-	-
Permanent improvement	-	-	-	-	-	-	-	-	-	-
Capital acquisition	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 72,397	\$ 24,445	\$ -	\$ 28,019	\$ 17,660	\$ 12,553	\$ 132,838	\$ 8,765	\$ 54,358	\$ 19,893

MITCHELL COUNTY, TEXAS

Combining Balance Sheet - Modified Cash Basis
Nonmajor Governmental Funds
December 31, 2022

	DA Restitution and Fee Fund	Specialty Court Fund	Sheriff Commissary Fund	Sheriff Forfeiture and Seizure Fund	Sheriff Forfeiture and Seizure II Fund	Permanent Improvement Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 5,525	\$ 2,901	\$ 41,482	\$ 7,695	\$ 132,314	\$ 535,939	\$ 1,096,784	\$ 250,151	\$ 1,346,935
Total assets	\$ 5,525	\$ 2,901	\$ 41,482	\$ 7,695	\$ 132,314	\$ 535,939	\$ 1,096,784	\$ 250,151	\$ 1,346,935
Fund Balances									
Restricted for:									
Courthouse security	-	-	-	-	-	-	132,838	-	132,838
Justice court technology	-	-	-	-	-	-	19,893	-	19,893
Enabling legislation	-	2,901	-	7,695	132,314	-	361,107	-	361,107
Law enforcement	5,525	-	-	-	-	-	5,525	-	5,525
Debt service	-	-	-	-	-	-	-	250,151	250,151
Assigned for:									
Other purposes	-	-	41,482	-	-	-	41,482	-	41,482
Permanent improvement	-	-	-	-	-	535,939	535,939	-	535,939
Capital acquisition	-	-	-	-	-	-	-	-	-
Total fund balances	\$ 5,525	\$ 2,901	\$ 41,482	\$ 7,695	\$ 132,314	\$ 535,939	\$ 1,096,784	\$ 250,151	\$ 1,346,935

MITCHELL COUNTY, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2022

	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	\$ 185,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	1,086	5,331	-	-	24,889	3,946	12,930	260	23,352	6,050
Investment earnings	3,061	502	5	566	286	232	2,634	176	986	381
Other revenue	1,660	-	-	-	-	-	-	-	-	-
Total revenues	191,530	5,833	5	566	25,175	4,178	15,564	436	24,338	6,431
Expenditures										
Current:										
General government	-	-	-	-	10,075	-	4,780	-	-	-
Judicial	-	4,370	-	-	-	-	-	-	2,694	3,208
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Debt service:	299,815	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	299,815	4,370	-	-	10,075	-	4,780	-	2,694	3,208
Excess (deficiency) of revenues over (under) expenditures	(108,285)	1,463	5	566	15,100	4,178	10,784	436	21,644	3,223
Other Financing Sources (Uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(2,188)	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(108,285)	1,463	(2,183)	566	15,100	4,178	10,784	436	21,644	3,223
Fund balances - beginning	180,682	22,982	2,183	27,453	2,560	8,375	122,054	8,329	32,714	16,670
Fund balances - ending	\$ 72,397	\$ 24,445	\$ -	\$ 28,019	\$ 17,660	\$ 12,553	\$ 132,838	\$ 8,765	\$ 54,358	\$ 19,893

MITCHELL COUNTY, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2022

	DA Restitution and Fee Fund	Specialty Court Fund	Sheriff Commissary Fund	Sheriff Forfeiture and Seizure Fund	Sheriff Forfeiture and Seizure II Fund	Permanent Improvement Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,818	\$ 239,541	\$ 456,520	\$ 696,061
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	1,133	-	-	-	-	78,977	-	78,977
Investment earnings	109	53	843	156	2,505	9,940	22,435	3,291	25,726
Other revenue	-	-	110,969	-	150,098	119,508	382,235	5,560	387,795
Total revenues	109	1,186	111,812	156	152,603	183,266	723,188	465,371	1,188,559
Expenditures									
Current:									
General government	-	-	-	-	-	-	14,855	400	15,255
Judicial	685	-	-	-	-	-	10,957	-	10,957
Public safety	-	-	100,016	1,834	26,748	-	128,598	-	128,598
Culture and recreation	-	-	-	-	-	-	299,815	-	299,815
Debt service:									
Principal retirement	-	-	-	-	-	-	-	325,000	325,000
Interest	-	-	-	-	-	-	-	152,600	152,600
Total expenditures	685	-	100,016	1,834	26,748	-	454,225	478,000	932,225
Excess (deficiency) of revenues over (under) expenditures	(576)	1,186	11,796	(1,678)	125,855	183,266	268,963	(12,629)	256,334
Other Financing Sources (Uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(2,188)	-	(2,188)
Insurance recoveries	-	-	-	-	-	-	-	-	-
Net change in fund balances	(576)	1,186	11,796	(1,678)	125,855	183,266	266,775	(12,629)	254,146
Fund balances - beginning	6,101	1,716	29,686	9,373	6,459	352,673	830,010	262,780	1,092,790
Fund balances - ending	\$ 5,525	\$ 2,901	\$ 41,482	\$ 7,695	\$ 132,314	\$ 535,939	\$ 1,096,784	\$ 250,151	\$ 1,346,935

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Governmental Reporting Section

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
Colorado City, Texas 79512

I 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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's, basic financial statements, and have issued my report thereon dated June 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Catharine Wilho CTA LLC

Sweetwater, Texas
June 10, 2023

MITCHELL COUNTY, TEXAS

Schedule of Findings and Responses
For the Year Ended December 31, 2022

I. Summary of the Auditor's Results:

- a. The type of report issued on the general-purpose financial statements of Mitchell County was an unmodified opinion.
- b. There were no significant deficiencies in internal control detected by the audit.
- c. There were no significant deficiencies that were material weaknesses in internal control
- d. The audit disclosed no instances of noncompliance which would be material to the financial statements.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

MITCHELL COUNTY, TEXAS

Summary Schedule of Status of Prior Audit Findings
For the Year Ended December 31, 2022

There were no prior audit findings.