

Financial Statements
December 31, 2020
Mitchell County, Texas

CATHRINE WILKS CPA LLC

MITCHELL COUNTY, TEXAS
YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position – Modified Cash Basis	11
Statement of Activities – Modified Cash Basis	12
<u>Fund Financial Statements:</u>	
<u>Governmental Fund Financial Statements:</u>	
Balance Sheet – Modified Cash Basis – Governmental Funds	13
Reconciliation of the Balance Sheet – Modified Cash Basis to the Statement of Net Position – Modified Cash Basis	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis	16
<u>Proprietary Fund Financial Statements:</u>	
Statement of Net Position- Modified Cash Basis – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	18
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds	19
<u>Fiduciary Fund Financial Statements:</u>	
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	40
Budgetary Comparison Schedule – Modified Cash Basis – Road and Bridge Fund	41
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System	42
Schedule of Employer Contributions – Texas County & District Retirement System	43
Notes to Other Supplementary Information	44
COMBINING FINANCIAL STATEMENTS:	
Combining Balance Sheet – Modified Cash Basis - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Modified Cash Basis – Nonmajor Governmental Funds	48
GOVERNMENT AUDITING STANDARDS 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	52
Schedule of Findings and Responses	54
Summary Schedule of Status of Prior Audit Findings	55

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining funds of Mitchell County, Texas, (the County) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining funds of Mitchell County, Texas, as of December 31, 2020, and the respective changes in financial position – modified cash basis, and, where applicable, cash flows – modified cash basis for the year then ended on the basis of accounting described in Note 1.

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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison schedule – modified cash basis – general fund, budgetary comparison schedule – modified cash basis – road and bridge fund , and pension and other postemployment 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.

Other 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 4, 2021, on my consideration of the Mitchell County, Texas’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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.



Sweetwater, Texas
June 4, 2021

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis December 31, 2020

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, 2020. This discussion includes comparative data for the prior year. Please read it in conjunction with the basic financial statements and related notes, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$20,071,427 at December 31, 2020. Of this amount, \$9,567,999 is invested in capital assets, net of related debt, and \$5,974,608 is restricted for various purposes. Unrestricted net position totals \$4,528,820.
- During the year, the County's expenses were \$248,006 more than the \$7,512,780 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$3,884,714.

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 of 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, 2020

Fund Financial Statements

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

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

The County has the following kinds of funds:

- Governmental funds- Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Proprietary funds- Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, the County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities.
- Fiduciary funds- The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

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 \$20,071,427 at the close of the fiscal year ended December 31, 2020.

47.7% 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 29.8% of the County's net position is subject to external restrictions. The remaining balance, \$4,528,820, or 22.5% 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, 2020

Statement of Net Position – Modified Cash

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 10,503,428	\$ 11,472,266
Capital assets	15,073,575	14,588,507
Total Assets	<u>25,577,003</u>	<u>26,060,773</u>
Liabilities		
Noncurrent Liabilities	<u>5,505,576</u>	<u>5,741,340</u>
Net Position		
Net investment in capital assets	9,567,999	8,847,167
Restricted *	5,974,608	7,243,951
Unrestricted	<u>4,528,820</u>	<u>4,228,315</u>
Net Position	<u>\$ 20,071,427</u>	<u>\$ 20,319,433</u>

* 2019 restated to reflect restricted Road and Bridge net position erroneously classified as unrestricted.

The County's net position decreased by \$248,006. 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. The County expended \$1,159,351 of cash on capital asset additions in 2020. They also removed \$1,029,369 in disposed of capital assets which were mostly fully depreciated.

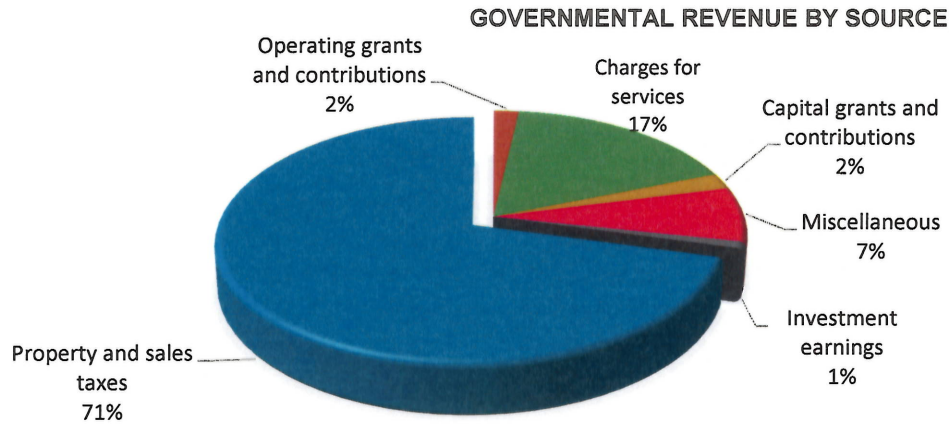
On December 1, 2020, the County issued \$4,460,000 in General Obligation Refunding Bonds, Series 2020. The purpose of the bonds is to refund the 2012 bonds, with the exception of the March 2021 bond payment. Bond obligations decreased a net \$235,764 in 2020.

Revenues for the County's governmental activities were \$7,512,780, down by \$1,323,803 or 15% from the prior year while total expenses were \$7,760,786, up by \$56,072 or 7% compared to the prior year. Revenues decreased due to miscellaneous funds received in fiscal year 2019 that was a one time event. The decrease in net position of \$248,006 reflects a decrease of 1% for the year ended December 31, 2020, from \$20,319,433 at the beginning of the year to \$20,071,427 at the end of the year.

A significant portion of the County's revenues, \$5,318,840, or 71% come from property and sales taxes during the current year compared to 60.8% in the prior year. 17% comes from charges for services, 4% comes from grants and contributions, 1% comes from investment earnings, and 7% comes from other revenues.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis
December 31, 2020



Changes in Net Position – Modified Cash Basis

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,284,846	\$ 1,651,725
Operating grants and contributions	134,438	96,519
Capital grants and contributions	158,300	-
General revenues:		
Taxes	5,318,840	5,368,938
Investment earnings	70,491	234,705
Miscellaneous	545,865	1,484,696
Total revenue	<u>7,512,780</u>	<u>8,836,583</u>
Expenses:		
General government	838,353	543,991
Judicial	1,487,823	1,608,132
Financial administration	590,069	578,728
Public facilities	297,571	262,778
Public safety	2,318,548	2,298,627
Public transportation	1,594,352	1,621,583
Health and welfare	16,854	16,204
Culture and recreation	299,386	423,578
Conservation and development	175,244	191,463
Interest on long-term debt	142,586	159,630
Total Expenses	<u>7,760,786</u>	<u>7,704,714</u>
Changes in net position	(248,006)	1,131,869
Net position – beginning	20,319,433	19,187,564
Net position – ending	<u>\$ 20,071,427</u>	<u>\$ 20,319,433</u>

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis

December 31, 2020

The total cost for all programs and services totaled \$7,760,786 for the year ended December 31, 2020. Of this amount, the largest operating services areas were public safety which totaled \$2,318,548 or 29.9% of total expenses for the year, public transportation which totaled \$1,594,352 or 20.5% of total expenses for the year, and judicial expenses which totaled \$1,487,823, or 19.2% of total expenses for the year. In the prior year, these three operating areas comprised 71.75% of total expenses. Costs related to general government continued to absorb a significant percentage of the County's total expenses at 10.8% 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 \$10,501,648, as seen on page 13, as of December 31, 2020, a decrease of \$967,243 from \$11,468,891 at the end of the prior year.

Approximately 37% 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 6.1% 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, 56.9%, is restricted for specific purposes.

During the current fiscal year, the County spent \$8,556,237 on County services and collected revenues (and other resources) of \$7,588,995, netting a decrease in fund balance of \$967,243 as compared to an increase in fund balance of \$1,096,346 during the previous fiscal year. The General Fund is the principal operating fund of the County. The General Fund had fund balance of \$3,884,714 as of December 31, 2020, up by 11% from the end of the previous fiscal year.

In the Mitchell County Road and Bridge Funds, the County expended \$1,777,765 primarily on fuel, road repairs and maintenance. Of this amount, \$248,185 was spent on capital outlay. The County collected revenues and other resources of \$863,353 netting a \$914,412 decrease in fund balance. Actual revenues and other resources were less than budget by \$156,743 while actual expenditures were \$83,997 less than the budgeted amount for the year. The Road and Bridge Fund had a beginning fund balance of \$5,744,508 and ended the year with a balance of \$4,830,096.

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.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis December 31, 2020

Over the course of the year, the County revised the General Fund budget several times. With these adjustments, actual revenues and other resources were less than budgetary estimates by \$1,343,595 and expenditures were less than budgetary estimates by \$368,107. Major variances include:

- Tax revenues were under budgeted projections by \$491,466.
- Intergovernmental revenues were under budgeted projections by \$366,424.
- Other revenue was under budgeted projections by \$255,592.
- General government expenditures were under budget by \$65,823.
- Judicial expenditures were under budget by \$186,917.
- Public facilities expenditures were over budget by \$24,188.
- Public safety expenditures were under budget by \$87,854.
- Proceeds from insurance on capital assets exceeded budget by \$161,958.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets. At the end of 2020, the County had invested a little over \$25 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. More detailed information about the County's capitalized assets can be found in Note 6 on page 33 of this report.

	2020	2019
Land	\$ 266,616	\$ 266,616
Construction in progress	7,619,544	7,022,774
Buildings and improvements	12,560,832	12,513,487
Furniture, machinery and equipment	4,887,319	5,401,452
Total historical cost	<u>25,334,311</u>	<u>25,204,329</u>
Accumulated Depreciation	<u>(10,260,737)</u>	<u>(10,615,822)</u>
Net Capital Assets	<u>\$ 15,073,575</u>	<u>\$ 14,588,507</u>

Long Term Obligations. As of December 31, 2020, the County had \$5.5 million of general obligation bonds payable.

	2020	2019
Bonds Payable	<u>\$ 5,505,576</u>	<u>\$ 5,741,340</u>

During the year, Mitchell County's long-term obligations decreased by \$235,764 due to the repayment of bonds as well as a bond refunding. More detailed information about the County's long-term liabilities can be found in Note 7 on pages 34-36 of this report.

MITCHELL COUNTY, TEXAS

Management's Discussion and Analysis
December 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mitchell County Commissioners' Court considered many factors when setting the fiscal year 2021 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 2021 is \$0.588539, an increase from 2020's tax rate of \$0.57913.
- The 2021 budget was approved for \$9,362,342, a decrease of \$344,241 from the 2020 budget of \$9,706,583 expenditures.
- 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.

This page left blank intentionally

MITCHELL COUNTY, TEXAS

Statement of Net Position - Modified Cash Basis December 31, 2020

	<u>Primary Government Governmental Activities</u>
Assets	
Current cash and cash equivalents	\$ 10,503,428
Capital assets (net of accumulated depreciation)	
Land	266,616
Construction in-progress	7,619,544
Buildings and Improvements	6,476,751
Furniture, machinery and equipment	<u>710,664</u>
Capital assets, net	<u>15,073,575</u>
Total assets	<u>25,577,003</u>
Liabilities	
Noncurrent liabilities	
Due within one year	435,052
Due in more than one year	<u>5,070,524</u>
Total liabilities	<u>5,505,576</u>
Net Position	
Net investment in capital assets	9,567,999
Restricted for:	
Debt service	218,120
Courthouse security	122,012
Justice court technology	13,640
Enabling legislation	173,427
Law enforcement	617,313
Road and bridge	4,830,096
Unrestricted (deficit)	<u>4,528,820</u>
Total net position	<u>\$ 20,071,427</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, 2020

Function/Program Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Position Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
General government	\$ 838,353	\$ -	\$ -	\$ (838,353)
Judicial	1,487,823	483,786	130,904	(753,133)
Financial administration	590,069	117,882	-	(472,187)
Public facilities	297,571	-	-	(297,571)
Public safety	2,318,548	369,687	-	(1,910,561)
Public transportation	1,594,352	313,202	-	(1,281,150)
Health and welfare	16,854	-	-	(16,854)
Culture and recreation	299,386	289	3,534	(295,563)
Conservation and development	175,244	-	-	(175,244)
Interest on long-term debt	142,586	-	-	(142,586)
Total primary government	\$ 7,760,786	\$ 1,284,846	\$ 134,438	\$ (6,183,202)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				4,954,335
Sales tax				364,505
Investment earnings				70,491
Proceeds from insurance				288,611
Miscellaneous revenue				333,468
Loss on disposition of capital assets				(76,214)
Total general revenues				5,935,196
Change in net position				(248,006)
Net position - beginning of year				20,319,433
Net position - end of year				\$ 20,071,427

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

MITCHELL COUNTY, TEXAS

Balance Sheet - Modified Cash Basis Governmental Funds December 31, 2020

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,884,714	\$ 4,830,096	\$ 1,786,838	\$ 10,501,648
Total assets	\$ 3,884,714	\$ 4,830,096	\$ 1,786,838	\$ 10,501,648
Fund balances:				
Restricted for:				
Courthouse security	\$ -	\$ -	\$ 122,012	\$ 122,012
Justice court technology	-	-	13,640	13,640
Enabling legislation	-	-	173,427	173,427
Law enforcement	-	-	617,313	617,313
Debt service	-	-	218,120	218,120
Road and bridge	-	4,830,096	-	4,830,096
Assigned for:				
Permanent improvement	-	-	583,567	583,567
Capital acquisition	-	-	41,239	41,239
Other purpose	-	-	17,520	17,520
Unassigned	3,884,714	-	-	3,884,714
Total fund balances	\$ 3,884,714	\$ 4,830,096	\$ 1,786,838	\$ 10,501,648

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, 2020

Total Fund Balances - Governmental Funds	\$ 10,501,648
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.	1,780
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets of \$25,334,311 and accumulated depreciation of \$10,260,736 are added to the statement of net position.	15,073,575
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Bonds payable of \$4,835,000 and the premium payable on those bonds of \$670,576 are added to the statement of net position.	<u>(5,505,576)</u>
Net position of governmental activities	<u><u>\$ 20,071,427</u></u>

MITCHELL COUNTY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,308,549	\$ 260,996	\$ 749,295	\$ 5,318,840
Licenses and permits	58,962	313,202	-	372,164
Intergovernmental revenue	289,204	-	3,534	292,738
Charges for services	55,002	-	-	55,002
Fines and forfeitures	742,741	62,617	52,321	857,679
Investment earnings	25,079	32,999	12,413	70,491
Rents and royalties	21,078	-	-	21,078
Other revenue	131,908	76,886	103,598	312,392
Total revenues	5,632,523	746,700	921,161	7,300,384
Expenditures				
Current				
General government	640,754	-	26,917	667,671
Judicial	1,567,328	-	31,822	1,599,150
Financial administration	584,572	-	-	584,572
Public facilities	666,310	-	-	666,310
Public safety	1,944,119	-	132,340	2,076,459
Public transportation	-	1,777,765	-	1,777,765
Health and welfare	16,854	-	-	16,854
Culture and recreation	-	-	427,397	427,397
Conservation and development	220,064	-	-	220,064
Debt service				
Interest	-	-	154,995	154,995
Principal retirement	-	-	365,000	365,000
Total expenditures	5,640,001	1,777,765	1,138,471	8,556,237
Excess (deficiency) of revenues over (under) expenditures	(7,478)	(1,031,065)	(217,310)	(1,255,853)
Other financing sources (uses)				
Transfers in	294,845	-	70,000	364,845
Transfers out	(70,000)	-	(294,845)	(364,845)
Proceeds from insurance	171,958	116,653	-	288,611
Total other financing sources and (uses)	396,803	116,653	(224,845)	288,611
Net change in fund balances	389,324	(914,412)	(442,155)	(967,243)
Fund balances - beginning	3,495,390	5,744,508	2,228,993	11,468,891
Fund balances - ending	<u>\$ 3,884,714</u>	<u>\$ 4,830,096</u>	<u>\$ 1,786,838</u>	<u>\$ 10,501,648</u>

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, 2020

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

Net change in fund balances - total governmental funds		\$	(967,243)
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.			(1,595)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.			
Capital outlay	1,159,351		
Principal payments	<u>365,000</u>		1,524,351
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.			(598,070)
Governmental funds report proceeds from the sale of or disposal of assets as revenue. However, in the statement of activities, the cost of the assets sold is offset against the proceeds to report gain or loss on the sale of assets. The net effect of the current year disposal was a decrease in net position.			(76,214)
The cost of bond reissuance decreases net position.			(210,580)
The amortization of premium on bonds payable increases net position			<u>81,344</u>
Change in net position of governmental activities - Statement of Activities		\$	<u>(248,006)</u>

MITCHELL COUNTY, TEXAS

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	<u>Internal Service Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	<u>\$ 1,780</u>
Total current assets	<u>1,780</u>
Net Position	
Unrestricted	<u>1,780</u>
Total net position	<u>\$ 1,780</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, 2020

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services:	\$ 37,977
Total operating income	<u>37,977</u>
Operating expenses:	
Personnel services - Employee benefits	<u>39,572</u>
Total operating expenses	<u>39,572</u>
Operating income (loss)	<u>(1,595)</u>
Change in net position	(1,595)
Total net position - beginning	3,375
Total net position - ending	<u><u>\$ 1,780</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, 2020

	<u>Internal Service Funds</u>
Cash Flows From Operating Activities	
Receipts from user charges	\$ 37,977
Receipts for insurance claims	<u>(39,572)</u>
Net cash provided (used) by operating activities	<u>(1,595)</u>
Change in cash and cash equivalents	(1,595)
Cash and cash equivalents at beginning of year	<u>3,375</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,780</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u><u>\$ (1,595)</u></u>

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

MITCHELL COUNTY, TEXAS

Statement of Net Position - Modified Cash Basis Fiduciary Funds December 31, 2020

	<u>Agency Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,645,733
Certificates of deposit	16,734
Total current assets	<u>2,662,467</u>
Liabilities	
Dut to other governments	2,190,592
Due to others	471,875
Total net position	<u>\$ 2,662,467</u>

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2020

liabilities (whether current or noncurrent) associated with their activities are reported. Equity is classified as net position.

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

Basis of Accounting

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

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

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2020

Road and Bridge Fund

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

Nonmajor Governmental Funds

These include nonmajor special revenue funds, established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This also includes a 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

Agency Funds

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

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

Cash and Cash Equivalents

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

Capital Assets

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

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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.

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2020

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, securities in the amount of \$15,000,000 were pledged by the depository bank to secure all bank deposits. The County's cash deposits at December 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name. At year end, the carrying amount of deposits totaled \$10,505,728. The respective bank balances totaled \$10,133,575.

Policies Governing Deposits and Investments

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

Custodial Credit Risk — Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits, including certificates of deposit, at year-end and during the year ended December 31, 2020 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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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

Transfers from General Fund to

Non-major Governmental Funds	\$ 70,000
------------------------------	-----------

Transfers from Non-major Governmental Funds to

General Fund	\$ 294,845
--------------	------------

Transfers from the general fund provide additional funding for special projects. Transfers from special revenue funds were for salary reimbursements.

Note 5 - Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system serving nearly 800 participating counties and districts throughout Texas.. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at Barton Oaks Plaza IV, Ste. 500, 901 S MoPac Expressway, Austin, Texas 78746 or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the Commissioners’ Court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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, 2019 consisted of the following:

Inactive Employees' Accounts:	
Receiving benefits	55
Entitled to but not yet receiving benefits	40
Total Inactive Employees	<u>95</u>
Active Employees' Accounts	76

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

	<u>2019</u>	<u>2020</u>
Member	7.0%	7.0%
Employer	11.5%	11.5%
Member contributions	\$ 224,409	\$ 221,747
Employer contributions	\$ 368,673	\$ 364,299

Actuarial Assumptions

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

Valuation Date	December 31, two years prior to end of fiscal year in which contributions are reported
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	5.6 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Discount rate	8.10%
Long-term expected investment rate of return	8.10%
Salary increases	4.9%, average, varies by age and service
Payroll growth rate	3.25%

Disability rates for males and females were as follows:

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	4.5%
45-49	9.0%
50	10.0%
51-53	9.0%
54-57	10.0%
58-61	12.0%
62	20.0%
63-64	15.0%
65-66	25.0%
67	22.0%
68-69	20.0%
70-74	22.0%
75 & Over	immediately

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

There were no changes in methods reflected in the December 31, 2020 actuarial valuation. There were no changes in actuarial assumptions reflected in the December 31, 2020 actuarial valuation.

Discount Rate

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements December 31, 2020

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

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

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

- ¹ Target asset allocation adopted at the June 2020 TCDRS Board meeting.
² Geometric real rates of return in addition to assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.
³ Includes vintage years 2006-present of quarter Pooled Horizon IRRs.
⁴ Includes vintage years 2005-present of quarter Pooled Horizon IRRs.
⁵ Includes vintage years 2007-present of quarter Pooled Horizon IRRs.

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

At December 31, 2020, the County has a net pension liability of \$351,692 for its net pension liability measured at December 31, 2019.

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

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

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

<u>Changes in Net Position Liability / (Asset)</u>	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability / (Asset) (a) – (b)</u>
Balances at December 31, 2018	\$ 14,748,903	\$ 13,191,780	\$ 1,557,123
Changes for the year			
Service cost	328,135	-	328,135
Interest on total pension liability ⁽¹⁾	1,182,058	-	1,182,058
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	21,430	-	21,430
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(79,663)	(79,663)	-
Benefit payments	(907,015)	(907,015)	-
Administrative expenses	-	(11,386)	11,386
Member contributions	-	224,409	(224,409)
Net investment income	-	2,166,753	(2,166,753)
Employer contributions	-	368,673	(368,673)
Other ⁽³⁾	-	(11,394)	11,394
Balances as of December 31, 2019	<u>\$ 15,293,848</u>	<u>\$ 14,942,156</u>	<u>\$ 351,692</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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

Discount Rate Sensitivity Analysis

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

	1% Decrease	Discount Rate	1% Increase
	(7.10%)	(8.10%)	(9.10%)
Total pension liability	\$ 16,960,346	\$ 15,293,848	\$ 13,868,826
Fiduciary net position	14,942,156	14,942,156	14,942,156
Net pension liability (asset)	\$ 2,018,190	\$ 351,692	(\$1,073,330)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,072	\$ 31,414
Changes in actuarial assumptions	48,142	-
Net differences between projected and actual earnings	-	378,460
Contributions subsequent to the measurement date	364,299	-
Total	\$ 428,513	\$ 409,874

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$364,299 will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. Other amounts incurred but not reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ending Dec 31:	
2020	\$ (79,917)
2021	(95,384)
2022	52,591
2023	(222,950)
Thereafter	-
Total	<u>\$ (345,660)</u>

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

Note 6 - Capital Assets

The changes in capital assets for the year ended December 31, 2020 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 266,616	\$ -	\$ -	\$ 266,616
Construction in-progress	7,022,774	596,770	-	7,619,544
Total non-depreciable assets	<u>7,289,390</u>	<u>596,770</u>	<u>-</u>	<u>7,886,160</u>
Depreciable assets:				
Buildings and improvements	12,513,487	165,752	(118,407)	12,560,832
Furniture and equipment	784,730	174,399	(457,632)	501,497
Vehicles and heavy equipment	4,616,722	222,430	(453,330)	4,385,822
Total Depreciable assets	<u>17,914,939</u>	<u>562,581</u>	<u>(1,029,369)</u>	<u>17,448,151</u>
Less accumulated depreciation:				
Buildings and improvements	(5,655,255)	(491,001)	62,175	(6,084,081)
Furniture and equipment	(754,976)	(10,919)	457,632	(308,263)
Vehicles and heavy equipment	(4,205,591)	(96,149)	433,348	(3,868,392)
Total accumulated depreciation	<u>(10,615,822)</u>	<u>(598,070)</u>	<u>953,155</u>	<u>(10,260,737)</u>
Depreciable assets, net	7,8299,117	(35,489)	(76,214)	7,187,414
Governmental activities capital assets, net	<u>\$ 14,588,507</u>	<u>\$ 561,281</u>	<u>\$ (76,214)</u>	<u>\$ 15,073,575</u>

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

General government	\$ 60,042
Judicial	6,432
Financial administration	5,497
Public facilities	3,024
Public safety	405,544
Public transportation	64,772
Culture and recreation	51,524
Conservation and development	1,234
Total depreciation expense	<u>\$ 598,070</u>

Estimated costs to complete construction in progress at December 31, 2020 were \$308,000.

Beginning Balances were corrected when immaterial clerical errors were detected in the prior year notes.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

Note 7 - Long-Term Obligations

Bonds Payable

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

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, with the exception of the March 2021 bond payment. As a result, the 2012 bonds are considered to be defeased and the escrowed assets and the liabilities for the bonds have been removed from these financial statements. The County reduced its debt service payments by \$472,360 and obtained an economic gain (difference between present value of debt service of old and new debt plus refunding funds on hand) of \$449,069.

The following table summarizes the annual debt service requirements of the outstanding bonds December 31, 2020, to maturity:

Years Ending <u>December 31st</u>	<u>Bonds</u>		<u>Total Requirement</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 375,000	\$ 117,879	\$ 492,879
2022	325,000	152,600	477,600
2023	340,000	139,300	479,300
2024	355,000	125,400	480,400
2025	370,000	110,900	480,900
2026 - 2030	2,105,000	313,800	2,418,800
2031 - 2032	<u>965,000</u>	<u>19,450</u>	<u>984,450</u>
	<u>\$ 4,835,000</u>	<u>\$ 979,329</u>	<u>\$ 5,814,329</u>

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

Capital Lease Payable

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

On October 26, 2020, the County entered into a long-term capital 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 capital 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

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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.

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

Years Ending December 31 st	
2021	\$ 89,385
2022	89,385
2023	89,385
2024	89,385
2025	<u>43,227</u>
Total minimum lease payments	400,767
Less amount representing interest	<u>(21,145)</u>
Present value of minimum lease payments	<u>\$ 379,623</u>

Total interest expense on capital leases for the year ended December 31, 2020 was \$74. Capital lease payables are liquidated through payments made by the Road and Bridge Fund.

Lease agreement commitments under operating lease agreements for equipment are immaterial; therefore, minimum annual rental payments are not presented.

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.

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.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

The estimated liability for unpaid vacation at December 31, 2020 is \$78,594. 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, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 5,665,000	\$ 4,460,000	\$ 5,290,000	\$ 4,835,000	\$ 375,000
Bond premium	<u>76,340</u>	<u>675,580</u>	<u>81,344</u>	<u>670,576</u>	<u>60,052</u>
Total governmental activities long-term liabilities	<u>\$ 5,741,340</u>	<u>\$ 5,135,580</u>	<u>\$ 5,371,344</u>	<u>\$ 5,505,576</u>	<u>\$ 435,052</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.

The Covid-19 outbreak in the United States has created economic uncertainties that may impact future operations and/or estimates. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on County tax payors, employees and vendors all of which are uncertain and cannot be predicted.

Note 9 - Fund Balance

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

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

1. Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). The County has no nonspendable fund balances at December 31, 2020.

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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, 2020.
4. Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

Restricted Fund Balance

At December 31, 2020, the restricted fund balance is composed of the following:

Public library	\$ 62,032
Law library	18,811
Specialty court	351
Records management court fee	26,296
Records management SB 770	227
Records management district clerk	7,487
Courthouse Security	122,012
District clerk records archive	7,018
County clerk records archive	24,064
Justice court technology	13,640
DA restitution	7,086
Sheriff forfeiture and seizure	9,405
Sheriff forfeiture and seizure II	17,735
DA drug forfeiture	610,228
Road and bridge	4,830,096
Debt service	<u>218,120</u>
	<u>\$ 5,974,608</u>

Assigned Fund Balance

At December 31, 2020, the assigned fund balance is composed of the following:

Sports complex	\$ 41,239
Sheriff commissary	17,520
Permanent improvement	<u>583,567</u>
	<u>\$ 642,326</u>

MITCHELL COUNTY, TEXAS

Notes to Financial Statements
December 31, 2020

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.

Note 10 - Individual Fund Disclosures

For fiscal year ended December 31, 2020, the County has expended funds in excess of appropriations at the level of control in the following area for those funds with budgets presented:

<u>Fund</u>	<u>Department/Control Level</u>	<u>Excess Amount</u>
General Fund	Public facilities	\$ 24,188

This over-expenditure was funded by decreased expenditures in other departments.

REQUIRED SUPPLEMENTARY INFORMATION

MITCHELL COUNTY, TEXAS

General Fund Budgetary Comparison Schedule - Modified Cash Basis For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,800,015	\$ 4,800,015	\$ 4,308,549	\$ (491,466)
Licenses and permits	68,350	68,350	58,962	(9,388)
Intergovernmental	453,185	655,628	289,204	(366,424)
Charges for services	36,800	36,800	55,002	18,202
Fines and forfeitures	929,225	929,225	742,741	(186,484)
Investment earnings	57,000	57,000	25,079	(31,921)
Rents and royalties	41,600	41,600	21,078	(20,522)
Other revenue	387,500	387,500	131,908	(255,592)
Total revenues	<u>6,773,675</u>	<u>6,976,118</u>	<u>5,632,523</u>	<u>(1,343,595)</u>
Expenditures				
Current:				
General government	646,648	706,577	640,754	65,823
Judicial	1,632,139	1,754,245	1,567,328	186,917
Financial administration	602,690	602,690	584,572	18,118
Public facilities	639,100	642,122	666,310	(24,188)
Public safety	1,942,537	2,031,973	1,944,119	87,854
Health and welfare	23,100	23,100	16,854	6,246
Conservation and development	247,401	247,401	220,064	27,337
Total expenditures	<u>5,733,615</u>	<u>6,008,108</u>	<u>5,640,001</u>	<u>368,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,040,060</u>	<u>968,010</u>	<u>(7,478)</u>	<u>(975,488)</u>
Other financing sources (uses)				
Transfers in	-	-	294,845	294,845
Transfers out	(70,000)	(70,000)	(70,000)	-
Proceeds from insurance	10,000	10,000	171,958	161,958
Total other financing sources and (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>396,803</u>	<u>456,803</u>
Net change in fund balances	980,060	908,010	389,324	(518,686)
Fund balances - beginning	3,495,390	3,495,390	3,495,390	-
Fund balances - ending	<u>\$ 4,475,450</u>	<u>\$ 4,403,400</u>	<u>\$ 3,884,714</u>	<u>\$ (518,686)</u>

MITCHELL COUNTY, TEXAS

Road and Bridge Fund Budgetary Comparison Schedule - Modified Cash Basis For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 88,443	\$ 88,443	\$ 264,078	\$ 175,635
Licenses and permits	510,000	510,000	313,202	(196,798)
Fines and forfeitures	95,000	95,000	62,617	(32,383)
Investment earnings	139,500	139,500	32,999	(106,501)
Other revenue	70,500	70,500	73,804	3,304
Total revenues	<u>903,443</u>	<u>903,443</u>	<u>746,700</u>	<u>(156,743)</u>
Expenditures				
Current:				
Public transportation	1,792,938	1,861,762	1,777,765	83,997
Total expenditures	<u>1,792,938</u>	<u>1,861,762</u>	<u>1,777,765</u>	<u>83,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(889,495)</u>	<u>(958,319)</u>	<u>(1,031,065)</u>	<u>(72,746)</u>
Other financing sources (uses)				
Proceeds from insurance	-	6,483	116,653	110,170
Total other financing sources and (uses)	<u>-</u>	<u>6,483</u>	<u>116,653</u>	<u>110,170</u>
Net change in fund balances	(889,495)	(951,836)	(914,412)	37,424
Fund balances - beginning	5,744,508	5,744,508	5,744,508	-
Fund balances - ending	<u>\$ 4,855,013</u>	<u>\$ 4,792,672</u>	<u>\$ 4,830,096</u>	<u>\$ 37,424</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, 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	\$ 328,135	\$ 325,708	\$ 342,942	\$ 351,689	\$ 330,814	\$ 324,737
Interest on total pension liability	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	21,430	(34,877)	(34,939)	(22,296)	(112,424)	(92,160)
Effect of assumption changes or inputs	-	-	120,352	-	139,251	-
Benefit payments/refunds of contributions	(986,678)	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Net change in total pension liability	544,945	706,615	829,700	708,700	681,750	555,165
Total pension liability, beginning	14,748,903	14,042,288	13,212,588	12,503,888	11,822,138	11,266,974
Total pension liability, ending (a)	\$ 15,293,848	\$ 14,748,903	\$ 14,042,288	\$ 13,212,588	\$ 12,503,888	\$ 11,822,138

Plan Fiduciary Net Position

Employer contributions	\$ 368,673	\$ 356,197	\$ 345,245	\$ 374,544	\$ 375,906	\$ 351,196
Member contribution	224,409	216,816	210,149	209,743	210,506	196,670
Net investment income	2,166,753	(255,130)	1,747,511	827,152	130,400	725,017
Benefit payments, including refunds of employee contributions	(986,678)	(719,454)	(670,044)	(622,744)	(593,217)	(579,904)
Administrative Expense	(11,386)	(10,596)	(9,049)	(8,980)	(7,999)	(8,285)
Other	(11,394)	(2,996)	(1,622)	29,609	(15,455)	(60,061)
Net change in Plan Fiduciary Net Position	1,750,377	(415,163)	1,622,190	809,324	100,141	624,633
Plan Fiduciary Net Position - Beginning	13,191,780	13,606,943	11,984,753	11,175,429	11,075,288	10,450,654
Plan Fiduciary Net Position - Ending (b)	\$ 14,942,156	\$ 13,191,780	\$ 13,606,943	\$ 11,984,753	\$ 11,175,429	\$ 11,075,287

Net Pension Liability - Ending (a) - (b)	\$ 351,692	\$ 1,557,123	\$ 435,345	\$ 1,227,835	\$ 1,328,459	\$ 746,851
Fiduciary net position as a % of total pension liability	97.70%	89.44%	96.90%	90.71%	89.38%	93.68%
Pensionable covered payroll	\$ 3,205,846	\$ 3,097,377	\$ 3,002,127	\$ 2,996,324	\$ 3,007,223	\$ 2,809,573
Net pension liability as a % of covered payroll	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
2010	\$ 217,523	\$ 219,096	\$ (1,573)	\$ 2,247,135	9.8%
2011	225,188	226,783	(1,595)	2,307,249	9.8%
2012	237,225	250,428	(13,203)	2,276,635	11.0%
2013	287,384	296,135	(8,751)	2,575,123	11.5%
2014	336,868	351,196	(14,328)	2,809,573	12.5%
2015	333,200	375,906	(42,706)	3,007,223	12.5%
2016	322,704	374,544	(51,840)	2,996,324	12.5%
2017	291,807	345,245	(53,438)	3,002,127	11.5%
2018	295,800	356,197	(60,397)	3,097,377	11.5%
2019	302,311	368,673	(66,362)	3,205,846	11.5%

MITCHELL COUNTY, TEXAS

Notes to Required Supplementary Information
December 31, 2020

Note 1 - Budgetary Information

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

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

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

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

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

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

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

The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2020.

MITCHELL COUNTY, TEXAS

Notes to Required Supplementary Information
December 31, 2020

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
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	5.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes 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.
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

* 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, 2020

	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 equivalent	\$ 62,032	\$ 18,811	\$ 41,239	\$ 26,296	\$ 227	\$ 7,487	\$ 122,012	\$ 7,018	\$ 24,064	\$ 13,640
Total assets	\$ 62,032	\$ 18,811	\$ 41,239	\$ 26,296	\$ 227	\$ 7,487	\$ 122,012	\$ 7,018	\$ 24,064	\$ 13,640
Fund Balances										
Restricted for:										
Courthouse security	-	-	-	-	-	-	122,012	-	-	-
Justice court technology	-	-	-	-	-	-	-	-	-	13,640
Enabling legislation	62,032	18,811	-	26,296	227	7,487	-	7,018	24,064	-
Law enforcement	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Assigned for:										
Other purposes	-	-	-	-	-	-	-	-	-	-
Permanent improvement	-	-	-	-	-	-	-	-	-	-
Capital acquisition	-	-	41,239	-	-	-	-	-	-	-
Total fund balances	\$ 62,032	\$ 18,811	\$ 41,239	\$ 26,296	\$ 227	\$ 7,487	\$ 122,012	\$ 7,018	\$ 24,064	\$ 13,640

MITCHELL COUNTY, TEXAS

Combining Balance Sheet - Modified Cash Basis
Nonmajor Governmental Funds
December 31, 2020

	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	DA Drug Forfeiture Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalent	\$ 7,086	\$ 351	\$ 17,520	\$ 9,405	\$ 17,735	\$ 583,567	\$ 610,228	\$ 1,568,718	\$ 218,120	\$ 1,786,838
Total assets	\$ 7,086	\$ 351	\$ 17,520	\$ 9,405	\$ 17,735	\$ 583,567	\$ 610,228	\$ 1,568,718	\$ 218,120	\$ 1,786,838
Fund Balances										
Restricted for:										
Courthouse security	-	-	-	-	-	-	-	122,012	-	122,012
Justice court technology	-	-	-	-	-	-	-	13,640	-	13,640
Enabling legislation	-	351	-	9,405	17,735	-	-	173,426	-	173,426
Law enforcement	7,086	-	-	-	-	-	610,228	617,314	-	617,314
Debt service	-	-	-	-	-	-	-	-	218,120	218,120
Assigned for:										
Other purposes	-	-	17,520	-	-	-	-	17,520	-	17,520
Permanent improvement	-	-	-	-	-	583,567	-	583,567	-	583,567
Capital acquisition	-	-	-	-	-	-	-	41,239	-	41,239
Total fund balances	\$ 7,086	\$ 351	\$ 17,520	\$ 9,405	\$ 17,735	\$ 583,567	\$ 610,228	\$ 1,568,718	\$ 218,120	\$ 1,786,838

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, 2020

	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	\$ 206,296	-	-	\$ -	-	-	\$ -	-	\$ -	-
Intergovernmental	3,534	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	1,102	5,075	-	1,297	16,084	175	7,045	1,530	15,750	3,870
Investment earnings	779	93	465	151	23	45	716	36	84	72
Other revenue	1,674	-	-	-	-	-	-	-	-	-
Total revenues	213,385	5,168	465	1,448	16,107	220	7,761	1,566	15,834	3,942
Expenditures										
Current:										
General government	-	-	-	-	21,502	-	5,415	-	-	-
Judicial	-	-	-	-	-	429	-	-	1,322	1,429
Public safety	-	-	-	-	-	-	-	-	-	-
Culture and recreation	199,649	533	47,680	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	199,649	533	47,680	-	21,502	429	5,415	-	1,322	1,429
Excess (deficiency) of revenues over (under) expenditures	13,736	4,635	(47,215)	1,448	(5,395)	(209)	2,346	1,566	14,512	2,513
Other Financing Sources (Uses):										
Transfers in	-	-	70,000	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	13,736	4,635	22,785	1,448	(5,395)	(209)	2,346	1,566	14,512	2,513
Fund balances - beginning	48,296	14,176	18,454	24,848	5,622	7,696	119,666	5,452	9,552	11,127
Fund balances - ending	\$ 62,032	\$ 18,811	\$ 41,239	\$ 26,296	\$ 227	\$ 7,487	\$ 122,012	\$ 7,018	\$ 24,064	\$ 13,640

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, 2020

	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	DA Drug Forfeiture Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,779	\$ -	\$ 266,075	\$ 483,220	\$ 749,295
Intergovernmental	-	-	-	-	-	-	-	3,534	-	3,534
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	351	-	42	-	-	-	52,321	-	52,321
Investment earnings	41	-	78	58	259	4,218	4,077	11,195	1,218	12,413
Other revenue	-	-	91,716	-	-	-	-	93,390	10,208	103,598
Total revenues	41	351	91,794	100	259	63,997	4,077	426,515	494,646	921,161
Expenditures										
Current:										
General government	-	-	-	-	-	-	-	26,917	-	26,917
Judicial	200	-	-	-	-	-	28,442	31,822	-	31,822
Public safety	-	-	86,267	949	45,124	-	-	132,340	-	132,340
Culture and recreation	-	-	-	-	-	179,535	-	427,397	-	427,397
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	365,000	365,000
Interest	-	-	-	-	-	-	-	-	154,995	154,995
Total expenditures	200	-	86,267	949	45,124	179,535	28,442	618,476	519,995	1,138,471
Excess (deficiency) of revenues over (under) expenditures	(159)	351	5,527	(849)	(44,865)	(115,538)	(24,365)	(191,961)	(25,349)	(217,310)
Other Financing Sources (Uses):										
Transfers in	-	-	-	-	-	-	-	70,000	-	70,000
Transfers out	-	-	-	-	-	-	(294,845)	(294,845)	-	(294,845)
Net change in fund balances	(159)	351	5,527	(849)	(44,865)	(115,538)	(319,210)	(416,806)	(25,349)	(442,155)
Fund balances - beginning	7,245	-	11,993	10,254	62,600	699,105	929,438	1,985,524	243,469	2,228,993
Fund balances - ending	\$ 7,086	\$ 351	\$ 17,520	\$ 9,405	\$ 17,735	\$ 583,567	\$ 610,228	\$ 1,568,718	\$ 218,120	\$ 1,786,838

This page left blank intentionally

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, 2020, 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 4, 2021.

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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, 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.

Cathrine Wilks CPA LLC

Sweetwater, Texas
June 4, 2021

MITCHELL COUNTY, TEXAS

Schedule of Findings and Responses
For the Year Ended December 31, 2020

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 Prior Audit Findings For the Year Ended December 31, 2020

Finding/Recommendation	Current Status	Management's Explanation If not Implemented
Finding 2019-001		
Management did not prepare the financial statements and accompanying notes to those financial statements and provide them for audit.	Corrected *	

* Auditors should conclude that preparing financial statements in their entirety from a client-provided trial balance or underlying accounting records creates significant threats to auditors' independence. Safeguards have to be applied which eliminate or reduce the threat to an acceptable level in accordance with paragraph 3.33 of the Government Auditing Standards. Once the threat has been eliminated or reduced to an acceptable level, the auditor is permitted to prepare the financial statements. The threat was eliminated, and the auditor was allowed to prepare the financial statements and accompanying notes, thus correcting the prior year findings.