

CALLAHAN COUNTY, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30, 2021



CALLAHAN COUNTY, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Assets, Liabilities and Net Position – Modified Cash Basis	10
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	11
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis – Governmental Funds	12
Reconciliation of the Statement of Assets, Liabilities and Fund Balance of Governmental Funds to the Statement of Assets, Liabilities, and Net Position – Modified Cash Basis	13
Statement of Revenues, Expenditures and Changes in– Fund Balance – Modified Cash Basis – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis.....	15
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis.....	16
Notes to Financial Statements.....	17
OTHER INFORMATION:	
Budgetary Comparison Schedules	
General Fund – Modified Cash basis	37
Road and Bridge Fund – Modified Cash Basis	38
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios	
Texas County and District Retirement System	39
Schedule of Employer Contributions	
Texas County and District Retirement System.....	40
Notes to Schedule of Employer Contributions	41
Schedule of Changes in OPEB Liability and Related Ratios.....	42
Combining Statement of Assets, Liabilities and Fund Balance –	
Modified Cash Basis – Nonmajor Governmental Funds.....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –	
Modified Cash Basis – Nonmajor Governmental Funds.....	44

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Members of the Commissioners Court of:
Callahan County, Texas

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Callahan County, Texas (the County) as of and for the year ended September 30, 2021, 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

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Callahan County, Texas, as of September 30, 2021, and the respective changes in financial position – modified cash basis for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The management's discussion and analysis, budgetary comparison information, pension and OPEB related schedules and combining schedules on pages 3 through 9, and 37 through 44, which are the responsibility of management, are presented for purpose of additional analysis and are not a required part of the modified cash basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas
March 10, 2022

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis September 30, 2021

This section of Callahan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2021. 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 \$9,795,880 at September 30, 2021. Of this amount, \$2,858,540 is invested in capital assets net of related debt, and \$557,062 is restricted for specific purposes. Unrestricted net position is \$6,380,278.
- During the year, the County's expenses were \$3,055,261 less than the \$11,074,241 generated in taxes and other revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$1,888,325, which is an increase of \$205,629 over the prior year.

Government-Wide Financial Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities on the modified cash basis of accounting.

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

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

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis September 30, 2021

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.
- 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 Agency Funds and 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.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Callahan 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 ANALYSIS

As noted earlier, net position can serve over time as a useful indicator of a government's financial position. In the case of Callahan County, net position was \$9,795,880 at the close of the fiscal year ended September 30, 2021.

Net investments in capital assets (e.g. road and bridge infrastructure; buildings and other improvements; furniture, machinery and equipment; and land), less related debt, represents 29% of net position. The County uses these capital assets to provide services to the citizens, and, consequently these assets are not available for future spending. Another 6% of the County's net position is subject to external restrictions. The remaining balance, \$6,380,278, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis
September 30, 2021

Callahan County's Net Position

	Governmental Activities	
	2021	2020
Assets		
Current Assets	\$ 4,978,070	\$ 3,791,384
Restricted Assets	16,395,188	555,156
Capital Assets	6,547,651	5,327,421
Total Assets	27,920,909	9,673,961
Liabilities		
Capital Leases and Notes Payable	626,613	1,814,342
Bonds Payable	17,498,416	1,119,000
Total Liabilities	18,125,029	2,933,342
Net Position		
Net Investments in Capital Assets	2,858,540	2,394,079
Restricted	557,062	388,349
Unrestricted	6,380,278	3,958,191
Total Net position	\$ 9,795,880	\$ 6,740,619

The County's net position increased by \$3,055,261. Since the County presently engages in no business-type activities, governmental activities account for all of the changes in net position at the government-wide reporting level.

Governmental activities: Revenues for the County's governmental activities were \$11,074,241, up by \$2,267,648 from the prior year, while total expenses were \$8,018,980, up by \$683,501 compared to the prior year. The increase in net position of \$3,055,261 reflects an increase of 46% for the year ended September 30, 2021.

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis
September 30, 2021

Callahan County's Changes in Net Position

	Governmental Activities	
	2021	2020
Program Revenues		
Charges for Services	\$ 1,777,564	\$ 1,692,931
Operating Grants and Contributions	2,789,174	1,275,469
General Revenues		
Property and Other Taxes	5,832,048	5,158,112
Investment Income	21,388	16,049
Gain on Sale of Equipment	415,766	434,321
Miscellaneous Income	238,301	229,711
Total Revenues	11,074,241	8,806,593
Expenses		
General Administration	1,996,802	1,776,506
Judicial	832,176	866,628
Financial Administration	468,448	421,624
Facilities Maintenance	176,509	82,404
Public Safety	1,367,415	1,283,551
Road and Bridge	2,397,877	2,399,148
Health and Welfare	429,354	312,406
Culture and Recreation	14,463	36,555
Extension Service	75,434	68,505
Interest on Long-term Debt	260,502	88,152
Total Expenses	8,018,980	7,335,479
Increase in Net Position	3,055,261	1,471,114
Net Position - Beginning of Year, restated	6,740,619	5,269,505
Net Position - End of Year	\$ 9,795,880	\$ 6,740,619

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental funds. The general governmental functions are reported in the General Fund. The focus of Callahan County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Callahan County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as useful measure of the County's net resources available for the spending at the end of the fiscal year.

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis September 30, 2021

The County's governmental funds reflect a combined fund balance of \$21,373,258 as of September 30, 2021, an increase of \$17,026,718 over the prior year. Of this amount, \$14,349,457 is in the facilities improvement fund. Approximately 9% 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. The remainder of the fund balance is assigned or restricted for enabling legislation, capital projects or debt service.

The General Fund is the principal operating fund of the County. At the end of the current fiscal year, the County spent \$5,788,427 on County services, collected revenues and other financing sources of \$6,160,561, netting to a surplus of \$205,629. The General Fund had fund balance of \$1,888,325 as of September 30, 2021.

In the Road and Bridge Funds, the County spent \$1,576,170 primarily on fuel, road repairs, and maintenance, \$603,609 in capital expenditures and debt service payments of \$557,501. The County collected revenues and other financing sources of \$3,718,337 netting a \$981,057 surplus. Actual revenues and other financing sources were over budget by \$211,514 and actual expenditures were under budget by \$769,543. The Road and Bridge Fund had a beginning fund balance of \$2,142,709 and ended the year with a balance of \$3,123,764 This fund balance is assigned.

In the Facilities Improvement Fund, the County spent \$1,786,953 primarily on courthouse restoration planning and debt service. The County collected revenues and other financing sources of \$16,136,410 netting a \$14,349,457 surplus of revenues over expenditures. The Capital Project Funds had a beginning equity balance of \$95,073 and ended the year with a balance of \$14,444,530. This fund balance is restricted.

In the Debt Service Fund, the County spent \$123,614 in principal and interest payments on the Certificate of Obligations, Series 2015. The County collected revenues of \$140,806 primarily from property taxes netting a \$19,163 increase of revenues over expenditures. The Debt Service Fund had a beginning equity balance of \$24,809 and ended the year with a balance of \$43,972. This fund balance is restricted.

In the Grant Special Revenue Funds, the County spent \$184,872 on HAVA and COVID grant expenditures. The County collected revenues and other financing sources of \$1,506,731 from grants netting an increase of revenues over expenditures of \$1,321,859. This fund balance is restricted.

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 tool during the year, and appropriations are set at the expenditure type level. Budgetary transfers between expenditure types must be approved by the Commissioners' Court.

During the year, revenues and other financing sources in the General Fund were over the budgetary estimates by \$175,676, and expenditures were less than budgetary estimates by \$504,440.

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis
September 30, 2021

CAPITAL ASSET AND LONG-TERM DEBT

Capital Assets. At the end of 2021, the County had invested \$6,547,651 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure. Capital assets are documented in more detail in Note 3.

Callahan County's Capital Assets
(net of depreciation)

	Governmental Activities	
	2021	2020
Construction in progress	\$ 2,725,343	\$ 1,224,697
Buildings and improvements	5,601,752	5,601,752
Machinery and equipment	7,656,345	7,623,791
Infrastructure	321,954	321,954
Total at Historical Cost	16,305,394	14,772,194
Total Accumulated Depreciation	(9,757,743)	(9,444,773)
Net Capital Assets	\$ 6,547,651	\$ 5,327,421

Current year additions to capital outlays amounted to \$2,275,212, and \$742,012 of capital assets were disposed of. Depreciation expense was \$1,054,982 for the year ended September 30, 2021.

LONG TERM DEBT Long-term debt consists of obligations under capital leases and bonds payable. During the year ended September 30, 2021, the net increase in long-term debt was \$15,191,687. Long-term debt is documented in more detail in Note 7. A summary of outstanding debt at year end follows.

	Governmental Activities	
	2021	2020
Capital Lease and Notes Payable	\$ 1,949,356	\$ 1,814,342
Bonds Payable	15,490,000	1,119,000
Premium on Bonds	685,673	
	\$ 18,125,029	\$ 2,933,342

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Callahan County Commissioners' Court considered many factors when setting the fiscal year 2021-2022 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 appraisal value for the 2021-2022 budget preparation is estimated at \$838,462,196, an increase of \$41.7 million from 2020-2021.
- The tax rate established for 2021-2022 is \$.740546, compared to \$.635508 for 2020-2021.
- Bond Series 2021 was issued 2021 and affected the increased tax rate.

CALLAHAN COUNTY, TEXAS

Management's Discussion and Analysis September 30, 2021

Amounts available for appropriation in the General Fund budget for 2021-2022 are \$6,053,856, an increase of approximately \$215,261 over the 2020-2021 original budget of \$5,838,595. Property taxes and increases in fines and fees for services will maintain the fund balance.

Requests for Information

This financial report is designed to provide a general overview of Callahan 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 Callahan County Auditor's Office, at 100 W. Fourth Street, Suite 102, Baird, TX 79504.

BASIC FINANCIAL STATEMENTS

CALLAHAN COUNTY, TEXAS

Statement of Assets, Liabilities, and Net Position – Modified Cash Basis
September 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,978,070
Restricted cash and cash investments	16,395,188
Capital assets:	
Construction in progress	2,725,343
Infrastructure, net	13,729
Buildings, net	1,448,288
Machinery and equipment, net	<u>2,360,291</u>
 Total assets	 <u>27,920,909</u>
LIABILITIES	
Due within one year:	
Capital leases	456,613
Bonds payable	170,000
Due in more than one year:	
Capital leases	1,492,743
Bonds payable	<u>16,005,673</u>
 Total liabilities	 <u>18,125,029</u>
NET POSITION	
Net investments in capital assets	2,858,540
Restricted for:	
Debt service	43,972
Enabling legislation	513,090
Unrestricted	<u>6,380,278</u>
 Total net position	 \$ <u><u>9,795,880</u></u>

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

CALLAHAN COUNTY, TEXAS

Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the year Ended September 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Primary
		Charges for Services	Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 1,996,802	\$ 266,968	\$ 1,516,905	\$ (212,929)
Judicial	832,176	710,693	9,706	(111,777)
Financial administration	468,448	341,663		(126,785)
Facilities maintenance	176,509			(176,509)
Public safety	1,367,415	72,589	76,695	(1,218,131)
Road and bridge	2,397,877	360,574	828,509	(1,208,794)
Health and welfare	429,354	25,077	357,359	(46,918)
Culture and recreation	14,463			(14,463)
Extension service	75,434			(75,434)
Debt interest	84,801			(84,801)
Bond issuance cost	175,701			(175,701)
Total governmental activities	<u>8,018,980</u>	<u>1,777,564</u>	<u>2,789,174</u>	<u>(3,452,242)</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>8,018,980</u>	\$ <u>1,777,564</u>	\$ <u>2,789,174</u>	<u>(3,452,242)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				5,369,803
Property taxes, levied for debt purposes				140,783
Other taxes				321,462
Miscellaneous income				238,301
Investment earnings				21,388
Gain (loss) on sale of equipment				415,766
Total general revenues				<u>6,507,503</u>
CHANGES IN NET POSITION				3,055,261
NET POSITION AT BEGINNING OF YEAR				<u>6,740,619</u>
NET POSITION AT END OF YEAR				<u>\$ 9,795,880</u>

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

CALLAHAN COUNTY, TEXAS

Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
 Governmental Funds
 September 30, 2021

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Facilities Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash investments	\$ 1,854,306	\$ 3,123,764	\$	\$	\$ 4,978,070
Restricted cash and investments			14,444,530	1,950,658	16,395,188
Due from other funds	<u>34,019</u>				<u>34,019</u>
 Total assets	 <u>\$ 1,888,325</u>	 <u>\$ 3,123,764</u>	 <u>\$ 14,444,530</u>	 <u>\$ 1,950,658</u>	 <u>\$ 21,407,277</u>
 LIABILITIES					
Due to other funds	\$	\$	\$	\$ 34,019	\$ 34,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,019</u>	<u>34,019</u>
 FUND BALANCE					
Restricted for:					
Capital projects			14,444,530		14,444,530
Debt service				43,972	43,972
Enabling legislation				513,090	513,090
Special revenue				1,393,589	1,393,589
Assigned for:					
Road and Bridge		3,123,764			3,123,764
Unassigned	<u>1,888,325</u>			<u>(34,012)</u>	<u>1,854,313</u>
 Total fund balance	 <u>1,888,325</u>	 <u>3,123,764</u>	 <u>14,444,530</u>	 <u>1,916,639</u>	 <u>21,373,258</u>
 Total liabilities and fund balances	 <u>\$ 1,888,325</u>	 <u>\$ 3,123,764</u>	 <u>\$ 14,444,530</u>	 <u>\$ 1,950,658</u>	 <u>\$ 21,407,277</u>

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

CALLAHAN COUNTY, TEXAS

Reconciliation of Statement of Assets, Liabilities and Fund Balance
of Governmental Funds to the Statements of Assets, Liabilities and
Net Position – Modified Cash Basis
September 30, 2021

Total Fund Balances - Governmental Funds \$ 21,373,258

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including capital assets is an increase in net position.

Capital Assets	\$ 16,305,394	
Accumulated Depreciation	<u>(9,757,743)</u>	6,547,651

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The net effect of including long-term liabilities is a decrease in net position.

(18,125,029)

Net Position of Governmental Activities \$ 9,795,880

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

CALLAHAN COUNTY, TEXAS

Statement of Revenues, Expenditures and Changes in
Fund Balance – Modified Cash Basis – Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Road and Bridge Fund	Facilities Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 3,912,742	\$ 1,457,061	\$	\$ 140,783	\$ 5,510,586
Other taxes	321,462				321,462
Licenses and permits	605,096	360,574		208,245	1,173,915
Intergovernmental revenue and grants	134,573	828,510	129,766	1,696,637	2,789,486
Fines and fees	603,337				603,337
Investment earnings	2,161	11,630	7,150	447	21,388
Other revenue	42,551	132,649	1,493	61,608	238,301
	<u>5,621,922</u>	<u>2,790,424</u>	<u>138,409</u>	<u>2,107,720</u>	<u>10,658,475</u>
EXPENDITURES					
Current					
General government	1,748,794		33,998	81,366	1,864,158
Judicial	784,975			47,201	832,176
Financial administration	468,448				468,448
Facilities maintenance	166,834			9,675	176,509
Public safety	1,266,784				1,266,784
Road and bridge		1,576,170			1,576,170
Health and welfare	252,396			176,958	429,354
Culture and recreation	14,463				14,463
Extension service	75,434				75,434
Capital outlay	936,648	603,609	734,955		2,275,212
Debt service					
Debt principal	67,253	491,687	1,018,000	101,000	1,677,940
Debt interest	6,398	65,814		12,589	84,801
	<u>5,788,427</u>	<u>2,737,280</u>	<u>1,786,953</u>	<u>428,789</u>	<u>10,741,449</u>
(Deficit) surplus of revenues over expenditures	(166,505)	53,144	(1,648,544)	1,678,931	(82,974)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	133,307	560,647			693,954
Proceeds from sale of equipment	48,500	367,266			415,766
Proceeds from bond issuance			15,490,000		15,490,000
Premiums on refunding			685,673		685,673
Bond issuance cost			(175,701)		(175,701)
Transfers in	190,327			1,971	192,298
Transfers out			(1,971)	(190,327)	(192,298)
	<u>372,134</u>	<u>927,913</u>	<u>15,998,001</u>	<u>(188,356)</u>	<u>17,109,692</u>
NET CHANGE IN FUND BALANCE	205,629	981,057	14,349,457	1,490,575	17,026,718
FUND BALANCE AT					
BEGINNING OF YEAR	<u>1,682,696</u>	<u>2,142,707</u>	<u>95,073</u>	<u>426,064</u>	<u>4,346,540</u>
FUND BALANCE AT END OF YEAR	\$ <u>1,888,325</u>	\$ <u>3,123,764</u>	\$ <u>14,444,530</u>	\$ <u>1,916,639</u>	\$ <u>21,373,258</u>

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

CALLAHAN COUNTY, TEXAS

Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of
Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended September 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 17,026,718

Current year capital outlays and debt principal payments are expenditures in the fund financial statements, but they are reflected as an increase in capital assets and a decrease in long-term liabilities in the government-wide financial statements. The net effect of removing the capital outlay of \$2,275,212 and debt principal payments of \$1,677,940 is to increase net position. 3,953,152

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 recording the current year's depreciation is to decrease net position. (1,054,982)

The issuance of capital leases, bonds, and premiums on those bonds is reported as other financing sources in the fund financial statements but is reflected as an increase in long-term debt in the government-wide financial statements. (16,869,627)

Change in Net Position of Governmental Activities \$ 3,055,261

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

CALLAHAN COUNTY, TEXAS

Statement of Fiduciary Assets and Liabilities
Agency Funds – Modified Cash Basis
September 30, 2021

	<u>Agency Fund</u>
ASSETS	
Cash and cash investments:	
District Clerk	\$ 403,103
County Clerk	76,221
County Attorney	6,099
Justice of Peace	48,073
Tax Assessor Collector	<u>787,404</u>
 Total assets	 \$ <u><u>1,320,900</u></u>
 LIABILITIES	
Due to others	\$ <u>1,320,900</u>
 Total liabilities	 \$ <u><u>1,320,900</u></u>

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

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.). Callahan County, Texas (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).

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2019.

The County's major activities or functions include public safety, public health and welfare services, construction and maintenance of roads and bridges, and general administrative services. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements. The statement of assets, liabilities and net position and the statement of revenues, expenses and changes in net position – modified cash basis include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of revenues, expenses and changes in net position. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The government reports the following major governmental funds:

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

Road and Bridge Fund – This fund 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.

Facilities improvement Fund = This fund is a capital project fund that is used for the restoration of the county building and the expansion of the annex.

Additionally, the government reports the following nonmajor governmental fund types:

Debt Service Funds – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principle, interest and related costs.

Capital Projects Fund – This fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources, including grant funding (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Fiduciary Funds

Agency Funds – These funds are used to report funds of the County's offices and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not include in the government-wide statements.

Measurement Focus and Basis of Accounting

In the government-wide 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. Capital assets, long-term liabilities and their associated activities are reported. Equity is classified as net position.

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

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 when they result from cash transaction, 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 the 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 expense for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting; while the 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 expenditure 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. Governmental 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.

Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied on 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 interest ultimately imposed.

Legislation has been passed 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 for the establishment of countywide Appraisal Districts and for the State Property Tax Board, which commenced operation in January 1980.

Callahan County Appraisal District appraises and assesses property values in the County. The Callahan County Tax Assessor-Collector 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.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years.

The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceed 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 tax rate assessed for the year ended September 30, 2021 by the County was \$0.740546 per \$100 valuation, which includes tax rates for maintenance and operations of \$0.567539, and roads and bridges of \$0.173007.

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 on property.

Use of Estimates

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

Budgetary Policies

The County follows these procedures in establishing budgetary data reflected in the financial statements: Public hearings are conducted at the Callahan County Courthouse to obtain taxpayer comments. Prior to October 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. Budgets for the various funds are adopted on a basis consist with the modified cash basis of accounting. The budgeted amounts presented in these statements are as originally adopted and as amended by the Commissioners' Court during the year ended September 30, 2021. All appropriations lapse at year end.

Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when paid in accordance with the benefit terms. The County does not record any pension related items or other post employment benefit related items as the County utilizes the modified cash basis of accounting.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used by the County. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-22 years
Infrastructure	20-45 years
Machinery and equipment	3-20 years

Fair Value Measurements

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

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

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

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

Three general valuation techniques may be used to measure fair value:

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

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

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

NOTE 2: 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.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies. The County’s investments consist of the following at September 30, 2021:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
Texpool	\$ 1,000,274	<60 days - Weighted Avg.	AAAm
Texpool Prime	12,002,256	<60 days - Weighted Avg.	AAAm
Certificate of Deposit	<u>15,353</u>	NA	NA
	<u>\$ 13,017,883</u>		

Local government investment pools operate in a manner consistent with SEC’s Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool. The pools manage their exposure to declines in fair values by limiting the weighted average maturity of their investment portfolios to 60 days, and they seek to maintain a constant dollar objective.

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 at year-end and during the year ended September 30, 2021 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 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.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. County funds that are considered “bond proceeds” for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

Other Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool’s investment policy allows the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAA money market mutual funds registered with the SEC, TexPool is rated AAA by Standard & Poor’s. It is the County’s policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

NOTE 3: CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2021 are as follows:

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
Governmental Activities:				
Nondpreciable assets				
Construction in progress	\$ 1,224,697	\$ 1,500,646	\$ -	\$ 2,725,343
Total nondepreciable assets	<u>1,224,697</u>	<u>1,500,646</u>	<u>-</u>	<u>2,725,343</u>
Depreciable assets				
Infrastructure	321,954			321,954
Buildings and improvements	5,601,752			5,601,752
Machinery and equipment	7,623,791	774,566	(742,012)	7,656,345
Total depreciable assets	<u>13,547,497</u>	<u>774,566</u>	<u>(742,012)</u>	<u>13,580,051</u>
Less accumulated depreciation				
Infrastructure	(304,986)	(3,239)		(308,225)
Buildings and improvements	(4,023,975)	(129,489)		(4,153,464)
Machinery and equipment	(5,115,812)	(922,254)	742,012	(5,296,054)
Total accumulated depreciation	<u>(9,444,773)</u>	<u>(1,054,982)</u>	<u>742,012</u>	<u>(9,757,743)</u>
Governmental activities capital assets	<u>\$ 5,327,421</u>	<u>\$ 1,220,230</u>	<u>\$ -</u>	<u>\$ 6,547,651</u>

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 3: CAPITAL ASSETS – continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General administration	\$	132,644
Public safety		100,631
Road and bridge		821,707
	\$	<u>1,054,982</u>

NOTE 4: RISK MANAGEMENT

A. Compensation

During the year ended September 30, 2021, employees of the County were covered by a worker’s compensation plan administered by the Texas Association of Counties. The County paid contributions of \$23,830 for the year ended September 30, 2021.

B. Health Care

During the year ended September 30, 2021, employees of the County were covered by a health insurance plan (the Plan). The County paid monthly premiums of \$891 per employee totaling \$474,807 for the year ended September 30, 2021. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Code and was documented by contractual agreement.

C. Risk of Loss

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.

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 plan in the statewide Texas County and District Retirement System (TCDRS). The Commissioners are responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements September 30, 2021

NOTE 5: PENSION PLAN – continued

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members employed by the County can retire at age 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 service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit.

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 COLA's. Ad hoc post-employment benefit changes, including ad hoc COLA's, can be granted by the County Commissioners within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2020 consisted of the following:

Inactive Employees Receiving Benefits	49
Inactive Employees Not Yet Receiving Benefits	<u>61</u>
Total	110
Active Employee Accounts	70

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				
	2019		2020	
Member	6.0%		6.0%	
Employers	4.75%		4.82%	
Member Contributions	\$	119,842	\$	121,869
Employer Contributions		94,875		97,901

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 5: PENSION PLAN – continued

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Discount rate	7.60%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.60%, average
Payroll Growth Rate	1.50%

*Includes Inflation of 2.50%

There were no changes in assumptions or methods reflected in the December 31, 2020 actuarial valuation. There was one change reflected in the December 31, 2020 actuarial valuation. The asset valuation method was changed so that the remaining unrecognized asset gains or losses from the previous year were updated to the current year to account for the time value of money using the investment return assumption.

Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. There was no change in the discount rate since the previous year.

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

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

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 5: PENSION PLAN – continued

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016.

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities – Developed	MSCI Work (net) Index Ex USA	5.00%	4.25%
International Equities – Emerging	MSCI EM Standard (net) index	6.00%	4.75%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	5.70%

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 5: PENSION PLAN – continued

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
REIT Equities	67% FTSE NAREIT Equity REIT's Index + 33% FRSE EPRA/NAREIT Global Rate Estate Index	2.00%	3.45%
Master Limited Partnerships (MLP's)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

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

At September 30, 2021, the County has a net pension asset of \$192,951 for its proportionate share of the TCDRS' net pension liability measured at December 31, 2020. For the year ended September 30, 2021, the County recorded pension expense of \$59,946.

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

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

Changes in the net pension asset for the year ended December 31, 2020 are as follows:

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 5: PENSION PLAN – continued

	Increases (Decreases)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Changes in Net Pension Liability			
Balance at December 31, 2019	\$ 6,567,036	\$ 6,844,916	\$ (277,880)
Changes for the year:			
Service Cost	169,747		169,747
Interest on total pension liability	530,002		530,002
Effect of plan changes			-
Effect of economic/demographic gains or losses	(27,685)		(27,685)
Effect of assumptions changes or inputs	329,481		329,481
Refunds of contributions	(49,566)	(49,566)	-
Benefit payments	(345,205)	(345,205)	-
Administrative expenses		(5,390)	5,390
Member contributions		121,838	(121,838)
Net investment income		706,768	(706,768)
Employer contributions		97,902	(97,902)
Other		(4,501)	4,501
Balance as of December 31, 2020	<u>\$ 7,173,810</u>	<u>\$ 7,366,762</u>	<u>\$ (192,952)</u>

Discount Rate Sensitivity Analysis

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 7,948,314	\$ 7,173,810	\$ 6,509,493
Fiduciary Net Position	(7,366,761)	(7,366,762)	(7,366,761)
Net Pension Liability/ (Asset)	<u>\$ 581,553</u>	<u>\$ (192,952)</u>	<u>\$ (857,268)</u>

At December 31, 2020, the County has deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Recourses	Deferred Inflows of Recourses
Differences between expected and actual economic experience	\$ 33,721	\$ 8,443
Changes in actuarial assumptions		219,654
Differences between projected and actual investment earnings	258,668	
Contributions subsequent to the measurement date	65,700	
Total	<u>\$ 358,089</u>	<u>\$ 228,097</u>

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 5: PENSION PLAN – continued

\$65,700 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ended September 30, 2021. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as pension expense as follows:

Year Ended December 31:	
2021	\$ 10,462
2022	91,478
2023	(134,299)
2024	(31,933)
Thereafter	<u> </u>
	<u>\$ (64,292)</u>

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABILITY – TCDRS GROUP TERM LIFE

The County participates in the multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System known as the Group Term Life (GTL) program. The GTL program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated. The GTL program does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75 because the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. For GASB 75 purposes, this OPEB plan is not a cost sharing plan, so the annual benefit payments are treated as being equal to the employer’s actual retiree GTL contributions for the year.

The GTL plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retirees GTL program. The OPEB benefit is a fixed \$5,000 lump sum benefit. No future increases are assumed in the \$5,000 benefit.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the GTL:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	13
Active employees	73

OPEB Liability

The County’s total OPEB liability related to the TCDRS GTL program, measured as of December 31, 2020 was \$257,519, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability related to the County’s GTL program were determined using the Entry Age Normal actuarial cost method. The actuarially determined contributions rates were calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions were reported.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABILITY – TCDRS GROUP TERM LIFE – continued

The significant actuarial methods and assumptions are as follows:

Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	2.12% - 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2020
Mortality:	
Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014
Service retirees, beneficiaries, and non- depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Tables for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Tables for females, both project with 110% of the MP-2014 Ultimate scale after 2014

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2018.

Changes in OPEB Liability	Total OPEB Liability (a)
Balance as December 31, 2019	\$ 225,316
Changes for the year:	
Service cost	10,298
Interest on total OPEB liability	6,373
Change of benefit terms	
Difference between expected and actual experience	(3,286)
Changes in assumptoins or other inputs	24,910
Benefit payments	(6,092)
Other changes	
Net Changes	<u>32,203</u>
Balance as of December 31, 2020	<u><u>\$ 257,519</u></u>

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABILITY – TCDRS GROUP TERM LIFE – continued

Sensitivity of the OPEB Liability to changes in the discount rate

The following presents the OPEB liability of the County, calculated using the discount rate of 2.12%, as well as what the County’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	Decrease in Discount Rate <u>(1.12%)</u>	Discount Rate <u>(2.12%)</u>	Increase in Discount Rate <u>(3.12%)</u>
County's OPEB Liability	\$ 307,178	\$ 257,519	\$ 219,131

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the County recognized OPEB expense of \$27,543.

At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Recourses</u>	<u>Deferred Inflows of Recourses</u>
Differences between expected and actual economic experience	\$ 4,524	\$ 1,472
Changes in actuarial assumptions	7,253	44,870
Differences between projected and actual investment earnings		
Contributions subsequent to the measurement date	4,006	
Total	<u>\$ 15,783</u>	<u>\$ 46,342</u>

The deferred outflows balance includes contributions subsequent to the measurement date of \$4,006. This amount will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2021	\$ 10,871
2022	9,520
2023	14,174
2024	
Thereafter	
	<u>\$ 34,565</u>

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS

Current requirements for indebtedness of the County are accounted for in the Debt Service and Capital Projects Fund. A summary of changes in long-term obligations at September 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital Leases Payable	\$ 1,814,342	\$ 693,954	\$ (558,940)	\$ 1,949,356	\$ 456,613
GO Bonds	1,119,000	-	(1,119,000)	-	-
GO Refunding Bonds	-	15,490,000	-	15,490,000	170,000
Premium on Bonds	-	685,673	-	685,673	-
Total Governmental Activities					
Long-term Liabilities	\$ <u>2,933,342</u>	\$ <u>16,869,627</u>	\$ <u>(1,677,940)</u>	\$ <u>18,125,029</u>	\$ <u>626,613</u>

At September 30, 2021, the County had capital leases totaling \$1,949,356 with interest rates ranging from 2.50% and 4.99% and are secured by equipment. Based on the required payments the future maturities are as follows:

Fiscal Year	Principle	Interest	Total
2022	\$ 456,600	\$ 58,951	\$ 515,551
2023	515,449	44,723	560,172
2024	272,607	27,479	300,086
2025	439,825	15,215	455,040
2026	264,875	1,619	266,494
	\$ <u>1,949,356</u>	\$ <u>147,987</u>	\$ <u>2,097,343</u>

The County issued a Certificate of Obligation, Series 2015 at par on November 16, 2015 for \$1,500,000. Proceeds from the issuance of Certificate of Obligation, Series 2015 were used for building improvements and updates for the courthouse. On March 9, 2021, these bonds were refunded with the 2021 Series.

The County issued a General Obligation Refunding and Improvement Bonds, Series 2021 on March 9, 2021 for \$15,490,000. Proceeds from the issuance of General Obligation Refunding and Improvement Bonds, Series 2021 were used for building improvements and updates for the courthouse. At September 30, 2021, the County had bonds payable totaling \$15,490,000 with an interest rate of 2.00% to 4.00%.

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS – continued

Based on the required payment the future maturities are as follows:

Fiscal Year	Principle	Interest	Total
2022	\$ 170,000	\$ 534,632	\$ 704,632
2023	340,000	362,500	702,500
2024	355,000	348,600	703,600
2025	370,000	334,100	704,100
2026	385,000	319,000	704,000
2027-2031	2,165,000	1,351,700	3,516,700
2032-2036	2,500,000	1,047,500	3,547,500
2037-2041	2,765,000	784,550	3,549,550
2042-2046	3,060,000	493,300	3,553,300
2047-2051	3,380,000	171,800	3,551,800
	<u>\$ 15,490,000</u>	<u>\$ 5,747,682</u>	<u>\$ 21,237,682</u>

NOTE 8: UNSPENT BOND PROCEEDS

As of September 30, 2021 the County held the unspent bond proceeds as follows:

Bond and bond premium	\$ 16,175,673
Bond funds expended	<u>(1,739,755)</u>
	<u>\$ 14,435,918</u>

NOTE 9: FUND BALANCES

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different classification of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

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

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements
September 30, 2021

NOTE 9: FUND BALANCES – continued

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. At September 30, 2021, the restricted fund balance is composed of the following:

Nonmajor Governmental Funds	
Historical Commission	\$ 8,653
Historical Commission CD	15,353
Bad Check Processing	722
Records Management - CC	86,284
Callahan Co. Seizure Acct.	61,756
Callahan Co. Clerk Record Archives	35,370
Callahan Co. Management and Preservation	2,684
Callahan Co. Law Library	12,334
Callahan Co. Vital Statistics Fees	195
Courthouse Security	49,451
Co. & District Clerk Court Technology	16,234
District Clerk Records Management	8,681
Sheriff's Dept. Forfeiture	3,982
Co. Atty. Forfeiture Fund	886
Co. Attorney's Pre-Trial	4,024
District Clerk Records Technology	19,058
Co. & District Clerk Court Technology	25,643
C. Health Care Saving	87,404
Callahan Co. Library Fund	1,008
Election Fund	13,368
Callahan Co. Escrow Fund	60,000
Capital Project Fund	14,444,530
Debt Service Fund	43,972
Special Revenue Funds	<u>1,393,589</u>
 Total restricted fund balance	 <u>\$ 16,395,181</u>

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).

CALLAHAN COUNTY, TEXAS

Notes to Financial Statements September 30, 2021

NOTE 9: FUND BALANCES – continued

Assigned fund balance classification is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. This includes amounts constrained for a specific purpose by the Commissioners' Court or by the County Treasurer who has been delegated by official action the authority to assign amounts. At September 30, 2021, the assigned fund balance for the road and bridge fund totaled is \$3,123,764.

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

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows:

1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Commitments

A grant award of \$4,684,891 was made to Callahan County, Texas by the Texas Historical Commission on June 17, 2020 for the preservation of the Callahan County Courthouse through the Texas Historical Courthouse Preservation Program. The estimated cost of the total project is approximately \$11.5 million, with the remaining costs of the project to be funded by the County with local funds and a bond issuance that was approved by the voters of Callahan County on November 3, 2020.

The County issued General Obligation Refunding and Improvement Bonds, Series 2021 in the amount of \$15,490,000 to provide financing for the Courthouse restoration and to restore, expand, and improve the County Annex Building, the Calvo Building, and the Historic 1877 Jail Building. The Bonds were funded on March 10, 2021. As part of this restoration project, the County has signed contracts with architects, and has purchased buildings and entered into leases for temporary operations while the project is in progress.

Contingencies

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

OTHER INFORMATION

CALLAHAN COUNTY, TEXAS

General Fund
 Budgetary Comparison Schedule – Modified Cash
 For the Year Ended September 30, 2021

	Budget			Variance
	Original	Final	Actual	From Final Budget
REVENUES				
Taxes:				
Property taxes	\$ 3,896,811	\$ 3,896,811	\$ 3,912,742	\$ 15,931
Other taxes	302,600	302,600	321,462	18,862
Licenses and permits	499,564	500,307	605,096	104,789
Intergovernmental revenue and grants	50,700	155,795	134,573	(21,222)
Fines	584,790	584,790	603,337	18,547
Investment earnings	4,000	4,000	2,161	(1,839)
Other revenue	25,130	374,077	42,551	(331,526)
	5,363,595	5,818,380	5,621,922	(196,458)
EXPENDITURES				
Current:				
General government	1,752,380	1,894,982	1,748,794	146,188
Judicial	966,412	974,980	784,975	190,005
Financial administration	514,668	513,494	468,448	45,046
Facilities maintenance	390,557	945,791	166,834	778,957
Public safety	1,449,475	1,473,559	1,266,784	206,775
Health and welfare	313,209	313,209	252,396	60,813
Culture and recreation	18,389	18,389	14,463	3,926
Extension service	78,098	75,776	75,434	342
Capital outlay	250,000	24,414	936,648	(912,234)
Debt service				
Debt principal	93,287	49,619	67,253	(17,634)
Debt interest	12,120	8,654	6,398	2,256
	5,838,595	6,292,867	5,788,427	504,440
Surplus (deficit) of revenues over expenditure	(475,000)	(474,487)	(166,505)	307,982
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases			133,307	133,307
Proceeds from sale of equipment			48,500	48,500
Transfers in			190,327	190,327
	-	-	372,134	372,134
CHANGE IN FUND BALANCE	(475,000)	(474,487)	205,629	680,116
FUND BALANCE AT BEGINNING OF YEAR	1,682,696	1,682,696	1,682,696	-
FUND BALANCE AT END OF YEAR	\$ 1,207,696	\$ 1,208,209	\$ 1,888,325	\$ 680,116

CALLAHAN COUNTY, TEXAS

Road and Bridge Fund
 Budgetary Comparison Schedule – Modified Cash
 For the Year Ended September 30, 2021

	Budget			Variance
	Original	Final	Actual	From Final Budget
REVENUES				
Taxes				
Property taxes	\$ 1,419,921	\$ 1,419,921	\$ 1,457,061	\$ 37,140
Licenses and permits	387,000	387,000	360,574	(26,426)
Intergovernmental revenue and grants	1,290,665	1,435,826	828,510	(607,316)
Investment earnings	4,000	4,000	11,630	7,630
Other revenue	44,000	132,810	132,649	(161)
	<u>3,145,586</u>	<u>3,379,557</u>	<u>2,790,424</u>	<u>(589,133)</u>
EXPENDITURES				
Current:				
Road and bridge	2,877,009	3,144,564	1,576,170	1,568,394
Capital outlay	15,000	52,962	603,609	(550,647)
Debt service:				
Debt principal	199,558	247,024	491,687	(244,663)
Debt interest	54,019	62,273	65,814	(3,541)
	<u>3,145,586</u>	<u>3,506,823</u>	<u>2,737,280</u>	<u>769,543</u>
Total expenditures				
Deficit revenues over expenditures	-	(127,266)	53,144	180,410
OTHER FINANCING SOURCES				
Proceeds from capital leases			560,647	560,647
Proceeds from sale of equipment		127,266	367,266	240,000
	<u>-</u>	<u>127,266</u>	<u>927,913</u>	<u>800,647</u>
Total other financing sources				
CHANGE IN FUND BALANCE	-	-	981,057	981,057
FUND BALANCE AT BEGINNING OF YEAR	<u>2,142,707</u>	<u>2,142,707</u>	<u>2,142,707</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,142,707</u>	<u>\$ 2,142,707</u>	<u>\$ 3,123,764</u>	<u>\$ 981,057</u>

CALLAHAN COUNTY, TEXAS

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios
Texas County and District Retirement System
For the Year Ended September 30, 2021

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability							
Service cost	\$ 169,747	\$ 136,923	\$ 137,061	\$ 142,294	\$ 148,440	\$ 141,113	\$ 136,328
Interest on total pension liability	530,002	505,642	490,251	468,564	439,466	435,613	410,864
Effect of plan changes	-	-	-	-	-	(7,103)	-
Effect of assumption changes or inputs	329,481	-	-	80,811	-	67,597	-
Effect of economic/demographic (gains) or losses	(27,685)	25,329	(61,056)	(73,396)	26,026	(249,415)	48,163
Benefit payments/refunds of contributions	<u>(394,770)</u>	<u>(404,970)</u>	<u>(348,314)</u>	<u>(342,430)</u>	<u>(306,689)</u>	<u>(321,391)</u>	<u>(322,217)</u>
Net change in total pension liability	606,775	262,924	217,942	275,843	307,243	66,414	273,138
Total pension liability, beginning	<u>6,567,035</u>	<u>6,304,112</u>	<u>6,086,170</u>	<u>5,810,327</u>	<u>5,503,084</u>	<u>5,436,670</u>	<u>5,163,532</u>
Total pension liability, ending (a)	\$ <u>7,173,810</u>	\$ <u>6,567,036</u>	\$ <u>6,304,112</u>	\$ <u>6,086,170</u>	\$ <u>5,810,327</u>	\$ <u>5,503,084</u>	\$ <u>5,436,670</u>
Fiduciary Net Position							
Employer contributions	\$ 97,902	\$ 94,875	\$ 92,987	\$ 94,429	\$ 111,321	\$ 107,026	\$ 109,406
Member contributions	121,838	119,841	107,500	104,534	106,283	94,296	92,770
Investment income net of investment expenses	706,768	994,037	(119,539)	823,051	393,730	73,242	364,146
Benefit payments/refunds of contributions	(394,770)	(404,970)	(348,314)	(342,430)	(306,689)	(321,391)	(322,217)
Administrative expenses	(5,390)	(5,216)	(4,861)	(4,208)	(4,271)	(3,894)	(4,140)
Other	<u>(4,501)</u>	<u>(5,560)</u>	<u>(3,768)</u>	<u>(1,964)</u>	<u>39,463</u>	<u>(150,296)</u>	<u>37,894</u>
Net change in fiduciary net position	521,847	793,007	(275,995)	673,412	339,837	(201,017)	277,859
Fiduciary net position, beginning	<u>6,844,915</u>	<u>6,051,909</u>	<u>6,327,904</u>	<u>5,654,491</u>	<u>5,314,652</u>	<u>5,515,669</u>	<u>5,237,810</u>
Fiduciary net position, ending (b)	\$ <u>7,366,762</u>	\$ <u>6,844,916</u>	\$ <u>6,051,909</u>	\$ <u>6,327,903</u>	\$ <u>5,654,489</u>	\$ <u>5,314,652</u>	\$ <u>5,515,669</u>
Net pension liability / (asset), ending = (a) - (b)	\$ <u>(192,952)</u>	\$ <u>(277,880)</u>	\$ <u>252,203</u>	\$ <u>(241,733)</u>	\$ <u>155,838</u>	\$ <u>188,432</u>	\$ <u>(78,999)</u>
Fiduciary net position as a percentage of total pension liability	102.69%	104.23%	96.00%	103.97%	97.32%	96.58%	101.45%
Pensionable covered payroll	\$ 2,030,633	\$ 1,997,343	\$ 1,791,661	\$ 1,742,236	\$ 1,684,130	\$ 1,571,601	\$ 1,546,161
Net pension liability as a percentage of covered payroll	-9.50%	-13.91%	14.08%	-13.87%	9.25%	11.99%	-5.11%

CALLAHAN COUNTY, TEXAS

Schedule of Employer Contributions
Texas County and district Retirement System
For the Year Ended September 30, 2021

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2011	\$ 84,833	\$ 84,833	\$ -	\$ 1,428,186	5.94%
2012	92,050	92,243	(193)	1,445,048	6.38%
2013	99,865	99,865	-	1,457,896	6.85%
2014	109,314	109,406	(92)	1,546,161	7.08%
2015	107,026	107,026	-	1,571,601	6.81%
2016	111,321	111,321	-	1,684,130	6.61%
2017	94,429	94,429	-	1,742,236	5.42%
2018	92,987	92,987	-	1,791,661	5.19%
2019	94,875	94,875	-	1,997,343	4.75%
2020	97,876	97,902	(26)	2,030,633	4.82%

CALLAHAN COUNTY, TEXAS

Schedule of Changes in OPEB Liability and Related Ratios For the Year Ended September 30, 2021

Note A: Net Pension Liability - Texas County & District Retirement System

Assumptions

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

Valuation date	two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.6%, average over career, including inflation
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement age 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 Health 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. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

CALLAHAN COUNTY, TEXAS

Schedule of Changes in OPEB Liability and Related Ratios
For the Year Ended September 30, 2021

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 10,298	\$ 6,989	\$ 7,795	\$ 6,399
Interest on total OPEB liability	6,373	7,271	6,631	6,687
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	24,910	41,372	(18,134)	6,824
Effect of economic/demographic (gains) or losses	(3,286)	2,452	(5,116)	(65)
Benefit payments/refunds of contributions	<u>(6,092)</u>	<u>(6,192)</u>	<u>(5,375)</u>	<u>(5,401)</u>
Net change in total OPEB liability	32,203	51,892	(14,199)	14,444
Total OPEB liability, beginning	<u>225,316</u>	<u>173,424</u>	<u>187,623</u>	<u>173,179</u>
Total OPEB liability, ending (a)	\$ <u><u>257,519</u></u>	\$ <u><u>225,316</u></u>	\$ <u><u>173,424</u></u>	\$ <u><u>187,623</u></u>
Plan Fiduciary Net Position (b)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Net OPEB liability / (asset), ending = (a) - (b)	\$ <u><u>257,519</u></u>	\$ <u><u>225,316</u></u>	\$ <u><u>173,424</u></u>	\$ <u><u>187,623</u></u>
Fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 2,030,633	\$ 1,997,343	\$ 1,791,661	\$ 1,742,236
Net OPEB liability as a percentage of covered payroll	12.68%	11.28%	9.68%	10.77%

CALLAHAN COUNTY, TEXAS

Combining Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis
 Nonmajor Governmental Funds
 September 30, 2021

	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Grant Funds</u>	<u>Restricted Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash investments	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash investments	<u>7</u>	<u>43,972</u>	<u>1,393,589</u>	<u>513,090</u>	<u>1,950,658</u>
Total assets	<u>\$ 7</u>	<u>\$ 43,972</u>	<u>\$ 1,393,589</u>	<u>\$ 513,090</u>	<u>\$ 1,950,658</u>
LIABILITIES					
Due to other funds	<u>\$ 34,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,019</u>
	<u>34,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,019</u>
FUND BALANCE					
Restricted for:					
Capital projects					-
Debt service		43,972			43,972
Enabling legislation				513,090	513,090
Special revenue			1,393,589		1,393,589
Unassigned	<u>(34,012)</u>				<u>(34,012)</u>
Total fund balance	<u>(34,012)</u>	<u>43,972</u>	<u>1,393,589</u>	<u>513,090</u>	<u>1,916,639</u>
Total liabilities and fund balances	<u>\$ 7</u>	<u>\$ 43,972</u>	<u>\$ 1,393,589</u>	<u>\$ 513,090</u>	<u>\$ 1,950,658</u>

CALLAHAN COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis
Nonmajor Governmental Funds
September 30, 2021

	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Grant Funds</u>	<u>Restricted Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Taxes:					
Property taxes	\$	\$ 140,783	\$	\$	\$ 140,783
Licenses and permits				208,245	208,245
Intergovernmental revenue and grants			1,696,637		1,696,637
Investment earnings	3	23	421		447
Other revenue				61,608	61,608
	<u>3</u>	<u>140,806</u>	<u>1,697,058</u>	<u>269,853</u>	<u>2,107,720</u>
Total revenues					
EXPENDITURES					
Current					
General government		10,025	7,914	63,427	81,366
Judicial				47,201	47,201
Facilities maintenance				9,675	9,675
Health and welfare			176,958		176,958
Debt service					
Debt principal		101,000			101,000
Debt interest		12,589			12,589
	<u>-</u>	<u>123,614</u>	<u>184,872</u>	<u>120,303</u>	<u>428,789</u>
Total expenditures					
(Deficit) surplus of revenues over expenditures	3	17,192	1,512,186	149,550	1,678,931
OTHER FINANCING SOURCES (USES)					
Transfers in		1,971			1,971
Transfers out			(190,327)		(190,327)
	<u>-</u>	<u>1,971</u>	<u>(190,327)</u>	<u>-</u>	<u>(188,356)</u>
Total other financing (uses) sources					
NET CHANGE IN FUND BALANCE	3	19,163	1,321,859	149,550	1,490,575
FUND BALANCE AT BEGINNING OF YEAR	<u>(34,015)</u>	<u>24,809</u>	<u>71,730</u>	<u>363,540</u>	<u>426,064</u>
FUND BALANCE AT END OF YEAR	<u>\$ (34,012)</u>	<u>\$ 43,972</u>	<u>\$ 1,393,589</u>	<u>\$ 513,090</u>	<u>\$ 1,916,639</u>