

COUNTY OF RUNNELS
 Annual Financial Report
 Year Ended September 30, 2021

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FINANCIAL SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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 modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of September 30, 2021, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

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

Emphasis of Matter

The County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, described in Note I., J. to the financial statements. As a result, the County reported a restatement of the custodial funds' beginning net position for the change in accounting principle, as described in Note IV., D. to the financial statements. Our opinion is not modified with respect to the restatement.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and total OPEB liability information for the Texas County & District Retirement System on pages 3 through 7, 39, and 40 through 46, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

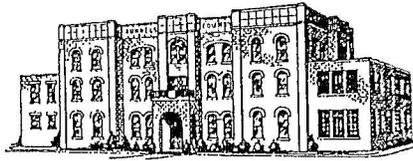
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2022, on our consideration of the County of Runnels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Runnels' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Runnels' internal control over financial reporting and compliance.

Eckert & Company, LLP

June 18, 2022

RUNNELS COUNTY



COMMISSIONERS COURT
RUNNELS COUNTY COURTHOUSE
613 HUTCHINGS AVENUE, ROOM 103
BALLINGER, TEXAS 76821

Julia Miller, County Judge

Carl King, Precinct 1
Brandon Poehls, Precinct 3

Ronald Presley, Precinct 2
Juan Ornales, Precinct 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Runnels' financial performance provides an overview of the County's financial activities for the year ended September 30, 2021, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$6,618,228 (net position). Of this amount, \$3,857,195 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$840,878 or 15%. This amount consists of a \$884,846 increase attributable to current year operations and a \$1,968 decrease attributable to prior period adjustments described in Note IV., D. to the financial statements. The County's statement of activities shows total revenues of \$7,928,304 and total expenses of \$7,085,458.

The total fund balance of the General Fund is \$2,081,509 which is an increase of \$446,054 or 27% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and the Special Revenue Fund - American Rescue Plan Grant Fund, both of which are considered to be a major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Special Revenue Funds, and Debt Service Fund.

Fiduciary Funds - Fiduciary funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. The County's fiduciary funds are custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

| | Governmental Activities | |
|-----------------------------------|-------------------------|--------------|
| | September 30, | |
| | 2021 | 2020 |
| Current and Other Assets | \$ 5,443,157 | \$ 3,916,676 |
| Capital Assets | 2,415,820 | 2,199,646 |
| Total Assets | \$ 7,858,977 | \$ 6,116,322 |
| Long-Term Liabilities Outstanding | \$ 121,594 | \$ 80,873 |
| Other Liabilities | 1,119,155 | 258,099 |
| Total Liabilities | \$ 1,240,749 | \$ 338,972 |
| Net Position | | |
| Net Investment in Capital Assets | \$ 2,294,226 | \$ 2,118,773 |
| Restricted | 466,807 | 484,025 |
| Unrestricted | 3,857,195 | 3,174,552 |
| Total Net Position | \$ 6,618,228 | \$ 5,777,350 |

A portion of the County's net position resulting from modified cash basis transactions (\$2,294,226) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$466,807) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,857,195) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$842,846 and \$46,405 for the fiscal years ended September 30, 2021 and 2020, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

| | <u>Governmental Activities</u> | |
|------------------------------------|---------------------------------|----------------------------|
| | <u>Year Ended September 30,</u> | |
| | <u>2021</u> | <u>2020</u> |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 1,240,480 | \$ 1,343,262 |
| Operating Grants and Contributions | 594,421 | 164,216 |
| General Revenues | | |
| Maintenance and Operations Taxes | 5,209,936 | 4,980,785 |
| Debt Service Taxes | 519 | 1,225 |
| Sales Taxes | 695,460 | 642,953 |
| Interest Earnings | 8,103 | 49,596 |
| Other Revenues | <u>179,385</u> | <u>161,969</u> |
| Total Revenues | <u>\$ 7,928,304</u> | <u>\$ 7,344,006</u> |
| Expenses | | |
| General Government | \$ 1,936,782 | \$ 2,140,155 |
| Roads and Bridges | 2,160,796 | 2,037,033 |
| Justice System | 617,486 | 688,777 |
| Public Safety | 982,332 | 941,107 |
| Corrections and Rehabilitation | 1,330,434 | 1,402,712 |
| Public Health and Welfare | 46,053 | 76,392 |
| Culture and Recreation | <u>11,575</u> | <u>11,425</u> |
| Total Expenses | <u>\$ 7,085,458</u> | <u>\$ 7,297,601</u> |
| Change in Net Position | \$ 842,846 | \$ 46,405 |
| Net Position - Beginning | 5,777,350 | 5,730,945 |
| Prior Period Adjustments | <u>(1,968)</u> | <u>0</u> |
| Net Position - Ending | <u><u>\$ 6,618,228</u></u> | <u><u>\$ 5,777,350</u></u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$4,324,002, an increase of \$655,425 or 18% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,081,509. All of this balance is unassigned.

Special Revenue Funds \$2,200,919. Of this balance \$1,775,686 is committed to special programs, \$275 is restricted for federal and state grants, and \$424,958 is restricted by legislation.

Debt Service Fund \$41,574. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$4,707,373, and the final amended budget was \$4,989,884 which represents a \$282,511 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 39 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$5,096,853 for the fiscal year 2022, which is an increase of \$106,969 from the fiscal year 2021.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended September 30, 2021.

Long-Term Debt - Financial statement footnote III., H. discloses the County's debt activity for the year ended September 30, 2021.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Julia Miller, County Judge, County of Runnels, P.O. Box 310, Ballinger, TX 76821-0310.

Basic Financial Statements

COUNTY OF RUNNELS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2021

| | Primary Government |
|---|----------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and Cash Equivalents | \$ 5,409,038 |
| Due from Other Governments | 28,381 |
| Capital Assets: | |
| Land | 63,957 |
| Buildings and Improvements, Net | 1,338,376 |
| Machinery and Equipment, Net | 1,013,487 |
| Other Assets | 5,738 |
| Total Assets | 7,858,977 |
| LIABILITIES | |
| Unearned Revenue | 1,024,831 |
| Other Payables | 94,324 |
| Noncurrent Liabilities: | |
| Due Within One Year | 56,283 |
| Due in More Than One Year: | |
| Long-Term Financing | 65,311 |
| Total Liabilities | 1,240,749 |
| NET POSITION | |
| Net Investment in Capital Assets | 2,294,226 |
| Restricted: | |
| Restricted for Debt Service | 41,574 |
| Restricted by Legislation | 424,958 |
| Restricted for Federal and State Grants | 275 |
| Unrestricted | 3,857,195 |
| Total Net Position | \$ 6,618,228 |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|---------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Government | \$ 1,936,782 | \$ 208,153 | \$ 161,536 | \$ (1,567,093) |
| Roads and Bridges | 2,160,796 | 624,460 | 153,476 | (1,382,860) |
| Justice System | 617,486 | 85,710 | 49,280 | (482,496) |
| Public Safety | 982,332 | 122,443 | 184,853 | (675,036) |
| Corrections and Rehabilitation | 1,330,434 | 187,470 | 1,891 | (1,141,073) |
| Health and Welfare | 46,053 | 12,244 | 43,385 | 9,576 |
| Culture and Recreation | 11,575 | - | - | (11,575) |
| TOTAL PRIMARY GOVERNMENT | \$ 7,085,458 | \$ 1,240,480 | \$ 594,421 | (5,250,557) |

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes 5,209,936

Property Taxes, Levied for Debt Service 519

General Sales and Use Taxes 695,460

Miscellaneous Revenue 179,385

Interest Earnings 8,103

Total General Revenues 6,093,403

Change in Net Position 842,846

Net Position - Beginning 5,777,350

Prior Period Adjustments (1,968)

Net Position - Ending \$ 6,618,228

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

| | General Fund | American Rescue Plan Grant Fund | Other Funds | Total Governmental Funds |
|---|---------------------|---------------------------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,185,235 | \$ 997,106 | \$ 2,226,697 | \$ 5,409,038 |
| Due from Other Funds | 8,656 | - | 19,725 | 28,381 |
| Due from Other Governments | - | - | 28,381 | 28,381 |
| Other Assets | 5,738 | - | - | 5,738 |
| Total Assets | <u>\$ 2,199,629</u> | <u>\$ 997,106</u> | <u>\$ 2,274,803</u> | <u>\$ 5,471,538</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ - | \$ - | \$ 28,381 | \$ 28,381 |
| Unearned Revenue | 28,000 | 996,831 | - | 1,024,831 |
| Other Payables | 90,120 | - | 4,204 | 94,324 |
| Total Liabilities | <u>118,120</u> | <u>996,831</u> | <u>32,585</u> | <u>1,147,536</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Restricted for Federal and State Grants | - | 275 | - | 275 |
| Restricted for Debt Service | - | - | 41,574 | 41,574 |
| Restricted by Legislation | - | - | 424,958 | 424,958 |
| Committed Fund Balance: | | | | |
| Committed for Jury | - | - | 384,653 | 384,653 |
| Committed for Roads and Bridges | - | - | 1,075,945 | 1,075,945 |
| Committed for Permanent Improvements | - | - | 282,387 | 282,387 |
| Committed for Special Programs | - | - | 32,701 | 32,701 |
| Unassigned Fund Balance | 2,081,509 | - | - | 2,081,509 |
| Total Fund Balances | <u>2,081,509</u> | <u>275</u> | <u>2,242,218</u> | <u>4,324,002</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,199,629</u> | <u>\$ 997,106</u> | <u>\$ 2,274,803</u> | <u>\$ 5,471,538</u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 SEPTEMBER 30, 2021

| | | |
|---|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 4,324,002 |
| Capital assets used in governmental activities and long term liabilities are not reported in the governmental funds financial statements. The net effect of these adjustments is to increase (decrease) net position. | | 2,118,773 |
| Capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position. | | 608,273 |
| Depreciation expense is not recognized in the governmental funds financial statements. The net effect of this adjustment is to decrease net position. | | (352,475) |
| Various other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The net effect of these adjustments is to increase (decrease) net position. | | (80,345) |
| Net Position of Governmental Activities | \$ | 6,618,228 |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | General Fund | American Rescue Plan Grant Fund | Other Funds | Total Governmental Funds |
|---|---------------------|---------------------------------------|---------------------|--------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 4,118,506 | \$ - | \$ 1,787,409 | \$ 5,905,915 |
| Fees and Fines | 206,396 | - | 703,942 | 910,338 |
| Intergovernmental | 573,693 | - | 359,178 | 932,871 |
| Interest | 4,604 | 275 | 3,224 | 8,103 |
| Miscellaneous | 73,570 | - | 95,202 | 168,772 |
| Total Revenues | <u>4,976,769</u> | <u>275</u> | <u>2,948,955</u> | <u>7,925,999</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 2,021,736 | - | 268,547 | 2,290,283 |
| Roads and Bridges | - | - | 2,198,871 | 2,198,871 |
| Justice System | 446,814 | - | 168,791 | 615,605 |
| Public Safety | 920,365 | - | 40,026 | 960,391 |
| Corrections and Rehabilitation | 1,165,970 | - | 61,033 | 1,227,003 |
| Health and Welfare | 38,720 | - | 3 | 38,723 |
| Culture and Recreation | 11,575 | - | - | 11,575 |
| Total Expenditures | <u>4,605,180</u> | <u>-</u> | <u>2,737,271</u> | <u>7,342,451</u> |
| Excess of Revenues Over Expenditures | <u>371,589</u> | <u>275</u> | <u>211,684</u> | <u>583,548</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Real and Personal Property | 3,500 | - | - | 3,500 |
| Proceeds from Long-Term Financing | 80,345 | - | - | 80,345 |
| Total Other Financing Sources (Uses) | <u>83,845</u> | <u>-</u> | <u>-</u> | <u>83,845</u> |
| Net Change in Fund Balances | 455,434 | 275 | 211,684 | 667,393 |
| Fund Balance - October 1 (Beginning) | 1,635,455 | - | 2,023,122 | 3,658,577 |
| Prior Period Adjustments | (9,380) | - | 7,412 | (1,968) |
| Fund Balance - September 30 (Ending) | <u>\$ 2,081,509</u> | <u>\$ 275</u> | <u>\$ 2,242,218</u> | <u>\$ 4,324,002</u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | |
|--|-------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 667,393 |
| Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position. | 608,273 |
| Depreciation is not recognized as an expense in the governmental funds financial statements. The net effect of this adjustment is to decrease net position. | (352,475) |
| Various other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The net effect of these adjustments is to increase (decrease) net position. | (80,345) |
| Change in Net Position of Governmental Activities | <u>\$ 842,846</u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

| | Custodial Funds |
|-----------------------------------|--------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 239,943 |
| Total Assets | <u>239,943</u> |
| | |
| LIABILITIES | |
| Due to Other Governments | 37,715 |
| Due to Others | 84,642 |
| Total Liabilities | <u>122,357</u> |
| | |
| NET POSITION | |
| Restricted for Custodial Purposes | <u>117,586</u> |
| Total Net Position | <u><u>\$ 117,586</u></u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Custodial Funds |
|--|--------------------------|
| <hr/> | |
| ADDITIONS: | |
| Property Taxes | \$ 16,602,979 |
| Bond and Registry Accounts | 5,288 |
| Fees and Fines | 2,404,154 |
| Interest | 728 |
| Total Additions | <u>19,013,149</u> |
| DEDUCTIONS: | |
| Property Taxes Remitted to Entities | 16,503,557 |
| Property Tax Attorney Fees | 99,422 |
| State and County Fines and Fees | 2,310,504 |
| Bond and Registry Accounts | 5,787 |
| Justice of the Peace Attorney Fees | 12,149 |
| Miscellaneous | 721 |
| Corrections and Rehabilitation | 79,546 |
| Total Deductions | <u>19,011,686</u> |
| Net Change in Fiduciary Net Position | 1,463 |
| Total Net Position - October 1 (Beginning) | - |
| Prior Period Adjustment | <u>116,123</u> |
| Total Net Position - September 30 (Ending) | <u><u>\$ 117,586</u></u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF RUNNELS
Notes to the Financial Statements
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Runnels, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Runnels, Texas, was organized by an Act of the Texas Legislature in 1880. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

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

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

The government reports the following major governmental fund:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Special Revenue Fund - American Rescue Plan Grant Fund - This Fund accounts for the revenues and expenditures for the American Rescue Plan grant funds.

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the County or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds account for assets held by the County in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the County's own programs.

The County has the following Fiduciary Funds:

Custodial Funds - These Funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 20-30 |
| Machinery and Equipment | 5-10 |

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Sick leave accumulates but does not vest. Vacation leave does not accumulate or vest. Employees who retire or voluntarily terminate employment will be paid for 50 days of unused sick leave if they have worked for the County for more than eight years and have accumulated more than 50 days of sick leave. Employees who voluntarily terminate employment will be paid for any unused vacation leave.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

Restricted for Federal and State Grants - This component of net position represents the balance of the American Rescue Plan Grant Fund.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Debt Service, Restricted by Legislation or Restricted for Federal and State Grants.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

Restricted net position for custodial purposes represents the net position available in the custodial funds for distribution to individuals, private organizations, and other governments.

J. Implementation of New Accounting Standard

The County implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and, therefore, should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

K. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County 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.

Property taxes are recognized as revenues when they are collected.

L. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations by an immaterial amount within the General Fund as reported on page 39.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and 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, and (9) 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.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2021, the County was not significantly exposed to credit risk.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Due from Other Governments

The County participates in a variety of federal and state programs from which it receives funds to partially or fully finance certain activities. Amounts due from other governments are summarized as follows:

| | |
|--|-------------------------|
| Nonmajor Road and Bridge Fund - CTIF Grant | \$ 19,725 |
| Nonmajor Grant Fund - Justice Grant | <u>8,656</u> |
| Total | <u><u>\$ 28,381</u></u> |

C. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

| | <u>Due From</u> | <u>Due To</u> | <u>Purpose</u> |
|-----------------------------|-------------------------|-------------------------|-------------------|
| General Fund | | | |
| Nonmajor Governmental Funds | <u>\$ 8,656</u> | <u>\$ 0</u> | Operating Advance |
| Nonmajor Governmental Funds | | | |
| General Fund | \$ 0 | \$ 8,656 | Operating Advance |
| Nonmajor Governmental Funds | <u>19,725</u> | <u>19,725</u> | Operating Advance |
| | <u><u>\$ 19,725</u></u> | <u><u>\$ 28,381</u></u> | |
| Totals | <u><u>\$ 28,381</u></u> | <u><u>\$ 28,381</u></u> | |

All amounts due are expected to be repaid within one year.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Capital Assets | | | | |
| Land | \$ 63,957 | \$ 0 | \$ 0 | \$ 63,957 |
| Buildings and Improvements | 5,771,646 | 32,439 | (15,000) | 5,789,085 |
| Machinery and Equipment | <u>3,443,389</u> | <u>537,405</u> | <u>(228,218)</u> | <u>3,752,576</u> |
| Total Capital Assets | <u>\$ 9,278,992</u> | <u>\$ 569,844</u> | <u>\$ (243,218)</u> | <u>\$ 9,605,618</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | \$ (4,307,316) | \$ (158,185) | \$ 14,792 | \$ (4,450,709) |
| Machinery and Equipment | <u>(2,772,030)</u> | <u>(194,290)</u> | <u>227,231</u> | <u>(2,739,089)</u> |
| Total Accumulated Depreciation | <u>\$ (7,079,346)</u> | <u>\$ (352,475)</u> | <u>\$ 242,023</u> | <u>\$ (7,189,798)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,199,646</u> | <u>\$ 217,369</u> | <u>\$ (1,195)</u> | <u>\$ 2,415,820</u> |

Depreciation expense was charged to governmental activities programs as follows:

| | |
|--------------------------------|-------------------|
| General Government | \$ 64,169 |
| Roads and Bridges | 121,852 |
| Justice System | 1,881 |
| Public Safety | 42,252 |
| Corrections and Rehabilitation | 114,991 |
| Public Health and Welfare | <u>7,330</u> |
| Total | <u>\$ 352,475</u> |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

| | Special Revenue Funds |
|---------------------------------|-----------------------------|
| Major American Rescue Plan Fund | \$ 996,831 |
| General Fund | 28,000 |
| Total | \$ 1,024,831 |

F. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of September 30, 2021, as follows:

| Year Ending September 30, | |
|------------------------------|-----------|
| 2022 | \$ 8,328 |
| 2023 | 7,634 |
| Total Minimum Rentals | \$ 15,962 |

Rental expenditures during the year ended September 30, 2021, were \$694.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Capital Leases

The County's outstanding capital lease agreements, which qualify as capital leases for accounting purposes and are payable from the General Fund, the Road and Bridge Funds, and the Paving Fund, are as follows:

| | |
|---|---------------------|
| Payable from the General Fund | |
| Capital lease to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. ² | \$ 16,496 |
| Capital lease to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. ² | 15,141 |
| Capital lease to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. ² | 25,118 |
| Capital lease to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. ² | 25,389 |
| Payable from the Road and Bridge Funds | |
| Capital lease to finance the acquisition of a 2021 John Deere 672G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³ | 262,928 |
| Capital lease to finance the acquisition of a 2021 John Deere 544 Wheel Loader. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³ | 126,057 |
| Capital lease to finance the acquisition of a 2014 John Deere 672G Motor Grader. Payable to Tibbit Commercial Leasing in annual installments with an interest rate of 2.991%. ¹ | 31,686 |
| Capital lease to finance the acquisition of a 2014 Case Farmall 125A Cab Tractor. Payable to Citizens First Bank in annual installments with an interest rate of 3.994%. ¹ | 13,646 |
| Capital lease to finance the acquisition of a 2018 John Deere 672G Motor Grader. Payable to Deere Credit, Inc., in annual installments with an interest rate of 3.5%. ³ | 181,870 |
| Capital lease to finance the acquisition of a 2014 John Deere 750K DOZER. Payable to First National Bank, in annual installments with an interest rate of 3%. ³ | 97,640 |
| Capital lease to finance the acquisition of a 2014 John Deere 672GXDW Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.75%. ³ | 118,938 |
| Capital lease to finance the acquisition of a 2009 John Deere 770D Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.75%. ³ | 27,339 |
| Capital lease to finance the acquisition of a 2020 Kubota Tractor. Payable to First Financial Bank in annual installments with an interest rate of 3.299%. ¹ | 59,678 |
| Capital lease to finance the acquisition of 2009 Mack GU713 Water Truck. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³ | 35,299 |
| Payable from the Paving Fund | |
| Capital lease to finance the acquisition of a 2016 Entyre K7201 Chipspreader. Payable to American National Leasing Co., in annual installments with an interest rate of 2.75%. ³ | 60,126 |
| Total Capital Leases Payable | <u>\$ 1,097,351</u> |

.COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Capital Leases - Continued

¹ The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

² The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property.

³ The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property or to file suit, action or special proceeding as permitted by law.

Future minimum lease payments are as follows:

| Year Ending September 30, | Capital Leases | | Total |
|------------------------------|---------------------|------------------|---------------------|
| | Principal | Interest | |
| 2022 | \$ 268,674 | \$ 32,578 | \$ 301,252 |
| 2023 | 369,802 | 23,633 | 393,435 |
| 2024 | 153,342 | 12,100 | 165,442 |
| 2025 | 97,309 | 8,288 | 105,597 |
| 2026 | <u>208,224</u> | <u>5,518</u> | <u>213,742</u> |
| Totals | <u>\$ 1,097,351</u> | <u>\$ 82,117</u> | <u>\$ 1,179,468</u> |

The following is a summary of the changes in capital leases for the year ended September 30, 2021:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------|----------------------|-------------------|-------------------|---------------------|
| Capital Leases | <u>\$ 1,142,800</u> | <u>\$ 424,284</u> | <u>\$ 469,733</u> | <u>\$ 1,097,351</u> |

H. Long-Term Debt

The County's long-term liabilities consist of long-term financing. The current requirements for long-term financing principal and interest are accounted for in the General Fund and the Road and Bridge Funds.

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------|----------------------|------------------|------------------|-------------------|------------------------|
| Long-Term Financing | <u>\$ 80,873</u> | <u>\$ 80,345</u> | <u>\$ 39,624</u> | <u>\$ 121,594</u> | <u>\$ 56,283</u> |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The County's outstanding long-term financing, which is payable from the General Fund and the Road and Bridge Funds is as follows:

| | |
|--|--------------------------|
| Long-term financing for the purchase of hardware and software for the Sheriff's Department. Due in yearly installments through May 21, 2022, with an interest rate of 3.69%. ⁴ | \$ 21,060 |
| Long-term financing for the purchase of a water truck for Road and Bridge Precinct 2. Due in yearly installments through March 1, 2022, with an interest rate of 4.487%. ⁴ | 20,189 |
| Long-term financing for the purchase of hardware and software for the Election's Department. Due in yearly installments through January 27, 2026, with an interest rate of 3.331%. ⁴ | <u>80,345</u> |
| Total | <u><u>\$ 121,594</u></u> |

⁴The lease is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

The annual debt service requirements are as follows:

| Year Ending September 30, | Long-Term Financing | | Total |
|------------------------------|---------------------|-----------------|-------------------|
| | Principal | Interest | |
| 2022 | \$ 56,283 | \$ 4,369 | \$ 60,652 |
| 2023 | 15,534 | 2,176 | 17,710 |
| 2024 | 16,052 | 1,658 | 17,710 |
| 2025 | 16,586 | 1,123 | 17,709 |
| 2026 | <u>17,139</u> | <u>571</u> | <u>17,710</u> |
| Totals | <u>\$ 121,594</u> | <u>\$ 9,897</u> | <u>\$ 131,491</u> |

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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 can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits 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.

Funding Policy - The employer 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate in both 2020 and 2021 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. The rate contributed for the months of the accounting year in 2020 was 9.25% and was 9.25% for the months of the accounting year in 2021.

The deposit rate payable by the employee members for calendar year 2021 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2020 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2020 Summary Valuation Report for further details.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Following are the key assumptions and methods used in this GASB analysis:

| | |
|---|---|
| Valuation Timing | Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | |
| Recognition of Economic/Demographic Gains or Losses | Straight-Line Amortization Over Expected Working Life |
| Recognition of Assumptions Changes or Inputs | Straight-Line Amortization Over Expected Working Life |
| Asset Valuation Method | |
| Smoothing Period | 5 Years |
| Recognition Method | Non-Asymptotic |
| Corridor | None |
| Inflation | 2.5% |
| Salary Increases | 4.6% |
| Investment Rate of Return | 7.6% |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately. |
| Turnover | New employees are assumed to replace any terminated members and have similar entry ages. |
| Mortality | Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014. |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Long-Term Expected Rate of Return - 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 2021 information for a 10-year time horizon.

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

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return (Expected Minus Inflation) |
|---|---|----------------------|---|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.25% |
| Global Equities | MSCI World (Net) Index | 2.50% | 4.55% |
| International Equities - Developed Markets | MSCI World Ex USA (Net) Index | 5.00% | 4.25% |
| International Equities - Emerging Markets | MSCI Emerging Markets (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% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (Net) Index | 2.00% | 3.45% |
| Master Limited Partnerships | 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 | 6.00% | 1.85% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | -0.70% |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's 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 COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits 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 of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability (Asset) - The following presents the increases (decreases) in net pension liability (asset):

| <u>Changes in Net Pension Liability (Asset)</u> | <u>Increase (Decrease)</u> | | |
|---|---------------------------------------|--------------------------------------|---|
| | <u>Total Pension Liability</u> (a) | <u>Fiduciary Net Position</u> (b) | <u>Net Pension Liability (Asset)</u> (a) - (b) |
| Balance as of December 31, 2019 | \$ 13,550,016 | \$ 14,211,165 | \$ (661,149) |
| Changes for the Year: | | | |
| Service Cost | \$ 299,439 | \$ 0 | \$ 299,439 |
| Interest on Total Pension Liability | 1,085,976 | 0 | 1,085,976 |
| Effect of Plan Changes | 0 | 0 | 0 |
| Effect of Economic/Demographic Gains or Losses | (217,223) | 0 | (217,223) |
| Effect of Assumptions Changes or Inputs | 667,880 | 0 | 667,880 |
| Refund of Contributions | (20,389) | (20,389) | 0 |
| Benefit Payments | (881,865) | (881,865) | 0 |
| Administrative Expenses | 0 | (11,140) | 11,140 |
| Member Contributions | 0 | 202,690 | (202,690) |
| Net Investment Income | 0 | 1,467,227 | (1,467,227) |
| Employer Contributions | 0 | 267,846 | (267,846) |
| Other | 0 | (11,366) | 11,366 |
| Net Changes | <u>\$ 933,818</u> | <u>\$ 1,013,003</u> | <u>\$ (79,185)</u> |
| Balance as of December 31, 2020 | <u>\$ 14,483,834</u> | <u>\$ 15,224,168</u> | <u>\$ (740,334)</u> |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.6%, 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 (6.6%) or 1 percentage point higher (8.6%) than the current rate.

| | <u>1% Decrease in Discount Rate (6.6%)</u> | <u>Current Discount Rate (7.6%)</u> | <u>1% Increase in Discount Rate (8.6%)</u> |
|-------------------------------|--|---|--|
| Total Pension Liability | \$ 15,985,893 | \$ 14,483,834 | \$ 13,187,213 |
| Fiduciary Net Position | <u>15,224,168</u> | <u>15,224,168</u> | <u>15,224,168</u> |
| Net Pension Liability (Asset) | <u>\$ 761,725</u> | <u>\$ (740,334)</u> | <u>\$ (2,036,955)</u> |

Pension Expense (Income) - The following presents the components of pension expense (income):

| <u>Pension Expense (Income)</u> | <u>January 1, 2020 to December 31, 2020</u> |
|--|---|
| Service Cost | \$ 299,439 |
| Interest on Total Pension Liability | 1,085,976 |
| Effect of Plan Changes | 0 |
| Administrative Expenses | 11,140 |
| Member Contributions | (202,690) |
| Expected Investment Return Net of Investment Expenses | (1,133,066) |
| Recognition of Deferred Outflows/Inflows of Resources: | |
| Recognition of Economic/Demographic Gains or Losses | (128,310) |
| Recognition of Assumption Changes or Inputs | 222,627 |
| Recognition of Investment Gains or Losses | (160,360) |
| Other | <u>11,366</u> |
| Total Pension Expense (Income) | <u>\$ 6,122</u> |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2021, the deferred outflows and inflows of resources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 5,714 | \$ 144,815 |
| Changes in Assumptions | 445,253 | - |
| Net Differences Between Projected and Actual Earnings | - | 540,196 |
| Contributions Made Subsequent to Measurement Date | 186,420 | - |
| Totals | \$ 637,387 | \$ 685,011 |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| Year Ending September 30, | Pension Expense Amount |
|---------------------------------|------------------------------|
| 2021 | \$ (18,777) |
| 2022 | 131,376 |
| 2023 | (279,811) |
| 2024 | (66,832) |
| 2025 | 0 |
| Thereafter | 0 |

The net pension liability (asset), deferred resource outflows, and deferred resource inflows related to the pension liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

B. Other Postemployment Benefits (OPEB)

Plan Description - The County participates in the Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year, and are eligible for the TCERS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Employees Covered by Benefit Terms - At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 72 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 12 |
| Active Employers | <u>78</u> |
| Total | <u><u>162</u></u> |

Total OPEB Liability - The County's total OPEB liability of \$373,046 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB 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 Normal |
| Amortization Method | |
| Recognition of Economic/Demographic Gains or Losses | Straight-Line Amortization Over Expected Working Life |
| Recognition of Assumptions Changes or Inputs | Straight-Line Amortization Over Expected Working Life |
| Investment Rate of Return (Discount Rate) | 2.12% |

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (Paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher municipal bonds. Therefore, a discount rate of 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020. At transition, GASB 75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the total OPEB liability as of December 31, 2019, using a discount rate of 2.74% as of December 31, 2019.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Mortality rates were based on the following criteria:

| | |
|---|---|
| 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 Table 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 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |

All actuarial assumptions that determined the total OPEB liability as of December 31, 2020, were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

Changes in Total OPEB Liability - The following presents the increases (decreases) in total OPEB liability:

| Changes in Total OPEB Liability | |
|---|--------------------------|
| Balance as of December 31, 2019 | <u>\$ 333,922</u> |
| Changes for the Year: | |
| Service Cost | \$ 9,917 |
| Interest on Total OPEB Liability | 9,268 |
| Changes of Benefit Terms | 0 |
| Effect of Economic/Demographic Experience | (3,259) |
| Effect of Assumptions Changes or Inputs | 34,491 |
| Benefit Payments | (11,293) |
| Other | <u>0</u> |
| Net Changes | <u>\$ 39,124</u> |
| Balance as of December 31, 2020 | <u><u>\$ 373,046</u></u> |

Changes of assumptions or other inputs reflect a change in the discount rate from 2.74% in 2019 to 2.12% in 2020.

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Sensitivity Analysis - The following presents the total OPEB liability of the County, calculated using the discount rate of 2.12%, as well as what the County's total 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. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

| | <u>1% Decrease in Discount Rate (1.12%)</u> | <u>Current Discount Rate (2.12%)</u> | <u>1% Increase in Discount Rate (3.12%)</u> |
|----------------------|---|--|---|
| Total OPEB Liability | <u>\$ 440,461</u> | <u>\$ 373,046</u> | <u>\$ 319,700</u> |

OPEB Expense (Income) - The following presents the components of OPEB expense (income):

| | <u>January 1, 2020 to December 31, 2020</u> |
|--|---|
| <u>OPEB Expense (Income)</u> | |
| Service Cost | \$ 9,917 |
| Interest on Total OPEB Liability | 9,268 |
| Effect of Plan Changes | 0 |
| Recognition of Deferred Outflows/Inflows of Resources: | |
| Recognition of Economic/Demographic Gains or Losses | (1,777) |
| Recognition of Assumption Changes or Inputs | 18,602 |
| Other | <u>0</u> |
| Total OPEB Expense (Income) | <u>\$ 36,010</u> |

Deferred Outflows/Deferred Inflows of Resources - As of September 30, 2021, the deferred outflows and inflows of resources are as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ 780 | \$ 3,795 |
| Changes in Assumptions | 56,962 | 6,522 |
| Contributions Made Subsequent to Measurement Date | <u>15,116</u> | <u>-</u> |
| Totals | <u>\$ 72,858</u> | <u>\$ 10,317</u> |

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

| Year Ending <u>September 30,</u> | OPEB Expense <u>Amount</u> |
|--|----------------------------------|
| 2021 | \$ 16,828 |
| 2022 | 22,789 |
| 2023 | 7,808 |
| 2024 | 0 |
| 2025 | 0 |
| Thereafter | 0 |

The total OPEB liability (asset), deferred resource outflows, and deferred resource inflows related to the total OPEB liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

C. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and heavy equipment.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2021

IV. OTHER INFORMATION - Continued

C. Self-Insurance - Continued

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund provides coverage for property damage.

D. Adjustments to Net Position/Fund Balance

The financial statements reflect the following prior period adjustments:

| | <u>Net Position Statement of Activities</u> | <u>Fund Balances Governmental Funds</u> | <u>Net Position Fiduciary Funds</u> |
|---|---|---|---|
| General Fund | | | |
| Adjustment to Prior Year's Revenues | \$ (9,380) | \$ (9,380) | \$ 0 |
| Nonmajor Funds | | | |
| Adjustment to Prior Year's Revenues | 7,412 | 7,412 | 0 |
| Fiduciary Funds | | | |
| Implementation of GASB 84 for Custodial Funds | <u>0</u> | <u>0</u> | <u>116,123</u> |
| Totals | <u>\$ (1,968)</u> | <u>\$ (1,968)</u> | <u>\$ 116,123</u> |

E. Subsequent Events

The County's management has evaluated subsequent events through June 18, 2022, the date which the financial statements were available for issue.

Other Information

COUNTY OF RUNNELS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive or (Negative) |
|---|------------------|--------------|-------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 3,965,582 | \$ 3,965,582 | \$ 4,118,506 | \$ 152,924 |
| Fees and Fines | 200,615 | 200,615 | 206,396 | 5,781 |
| Intergovernmental | 389,066 | 579,441 | 573,693 | (5,748) |
| Interest | 7,000 | 7,000 | 4,604 | (2,396) |
| Miscellaneous | 25,742 | 38,282 | 73,570 | 35,288 |
| Total Revenues | 4,588,005 | 4,790,920 | 4,976,769 | 185,849 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 1,908,752 | 2,175,263 | 2,021,736 | 153,527 |
| Justice System | 459,814 | 459,814 | 446,814 | 13,000 |
| Public Safety | 969,142 | 969,142 | 920,365 | 48,777 |
| Corrections and Rehabilitation | 1,317,550 | 1,322,550 | 1,165,970 | 156,580 |
| Health and Welfare | 41,340 | 52,340 | 38,720 | 13,620 |
| Culture and Recreation | 10,775 | 10,775 | 11,575 | (800) |
| Total Expenditures | 4,707,373 | 4,989,884 | 4,605,180 | 384,704 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (119,368) | (198,964) | 371,589 | 570,553 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Real and Personal Property | - | - | 3,500 | 3,500 |
| Proceeds from Long-Term Financing | - | 79,595 | 80,345 | 750 |
| Total Other Financing Sources (Uses) | - | 79,595 | 83,845 | 4,250 |
| Net Change in Fund Balances | (119,368) | (119,369) | 455,434 | 574,803 |
| Fund Balance - October 1 (Beginning) | 1,635,455 | 1,635,455 | 1,635,455 | - |
| Prior Period Adjustments | - | - | (9,380) | (9,380) |
| Fund Balance - September 30 (Ending) | \$ 1,516,087 | \$ 1,516,086 | \$ 2,081,509 | \$ 565,423 |

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | FY 2021 Plan Year 2020 | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 |
|--|---------------------------|---------------------------|---------------------------|
| A. Total Pension Liability | | | |
| Service Cost | \$ 299,439 | \$ 283,876 | \$ 269,760 |
| Interest (on the Total Pension Liability) | 1,085,976 | 1,046,885 | 1,022,582 |
| Changes of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (217,223) | 17,140 | - |
| Changes of Assumptions | 667,880 | - | (184,843) |
| Benefit Payments, Including Refunds of Employee Contributions | (902,254) | (860,271) | (784,376) |
| Net Change in Total Pension Liability | \$ 933,818 | \$ 487,630 | \$ 323,123 |
| Total Pension Liability - Beginning | 13,550,016 | 13,062,386 | 12,739,263 |
| Total Pension Liability - Ending | \$ 14,483,834 | \$ 13,550,016 | \$ 13,062,386 |
| B. Total Fiduciary Net Position | | | |
| Contributions - Employer | \$ 267,846 | \$ 253,627 | \$ 244,545 |
| Contributions - Employee | 202,690 | 191,933 | 185,061 |
| Net Investment Income | 1,467,227 | 2,066,677 | (249,994) |
| Benefit Payments, Including Refunds of Employee Contributions | (902,254) | (860,271) | (784,376) |
| Administrative Expense | (11,140) | (10,829) | (10,106) |
| Other | (11,366) | (12,219) | (9,243) |
| Net Change in Plan Fiduciary Net Position | \$ 1,013,003 | \$ 1,628,918 | \$ (624,113) |
| Plan Fiduciary Net Position - Beginning | 14,211,165 | 12,582,247 | 13,206,360 |
| Plan Fiduciary Net Position - Ending | \$ 15,224,168 | \$ 14,211,165 | \$ 12,582,247 |
| C. Net Pension Liability (Asset) | \$ (740,334) | \$ (661,149) | \$ 480,139 |
| D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 105.11% | 104.88% | 96.32% |
| E. Covered Payroll | \$ 2,895,577 | \$ 2,741,899 | \$ 2,643,724 |
| F. Net Pension Liability (Asset) as a Percentage of Covered Payroll | (25.57%) | (24.11%) | 18.16% |

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

| FY 2018 Plan Year 2017 | | FY 2017 Plan Year 2016 | | FY 2016 Plan Year 2015 | | FY 2015 Plan Year 2014 | |
|---------------------------|------------|---------------------------|------------|---------------------------|------------|---------------------------|------------|
| \$ | 277,810 | \$ | 306,522 | \$ | 278,520 | \$ | 286,024 |
| | 982,730 | | 952,025 | | 922,324 | | 889,693 |
| | - | | - | | (16,414) | | - |
| | (91,006) | | (259,615) | | (175,323) | | (128,677) |
| | 101,691 | | - | | 136,483 | | - |
| | (758,472) | | (736,748) | | (730,913) | | (669,020) |
| \$ | 512,753 | \$ | 262,184 | \$ | 414,677 | \$ | 378,020 |
| | 12,226,510 | | 11,964,326 | | 11,549,649 | | 11,171,629 |
| \$ | 12,739,263 | \$ | 12,226,510 | \$ | 11,964,326 | \$ | 11,549,649 |
| \$ | 226,117 | \$ | 235,085 | \$ | 232,393 | \$ | 225,919 |
| | 171,114 | | 177,900 | | 175,863 | | 170,965 |
| | 1,724,823 | | 842,493 | | 213,800 | | 779,631 |
| | (758,472) | | (736,748) | | (730,913) | | (669,020) |
| | (8,783) | | (9,286) | | (8,369) | | (8,837) |
| | (4,924) | | (202,208) | | (49,566) | | (17,350) |
| \$ | 1,349,875 | \$ | 307,236 | \$ | (166,792) | \$ | 481,308 |
| | 11,856,486 | | 11,549,250 | | 11,716,042 | | 11,234,734 |
| \$ | 13,206,361 | \$ | 11,856,486 | \$ | 11,549,250 | \$ | 11,716,042 |
| \$ | (467,098) | \$ | 370,024 | \$ | 415,076 | \$ | (166,393) |
| | 103.67% | | 96.97% | | 96.53% | | 101.44% |
| \$ | 2,444,483 | \$ | 2,541,429 | \$ | 2,512,323 | \$ | 2,442,356 |
| | (19.11%) | | 14.56% | | 16.52% | | (6.81%) |

COUNTY OF RUNNELS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2021

| | 2021 | 2020 | 2019 |
|---|--------------------|--------------------|--------------------|
| Actuarially Determined Contribution | \$ 179,016 | \$ 183,433 | \$ 192,170 |
| Contributions in Relation to the Actuarially Determined Contributions | (255,774) | (258,561) | (251,412) |
| Contribution Deficiency (Excess) | <u>\$ (76,758)</u> | <u>\$ (75,128)</u> | <u>\$ (59,242)</u> |
| Covered Employee Payroll | \$ 2,765,095 | \$ 2,795,232 | \$ 2,717,968 |
| Contributions as a Percentage of Covered Employee Payroll | 9.25% | 9.25% | 9.25% |

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

| | 2018 | 2017 | 2016 | 2015 |
|----|-----------|--------------|--------------|--------------|
| \$ | 197,527 | \$ 195,054 | \$ 226,739 | \$ 232,498 |
| | (241,886) | (228,339) | (236,988) | (232,498) |
| \$ | (44,359) | \$ (33,285) | \$ (10,249) | \$ - |
| \$ | 2,614,968 | \$ 2,468,498 | \$ 2,562,002 | \$ 2,513,462 |
| | 9.25% | 9.25% | 9.25% | 9.25% |

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | FY 2021 Plan Year 2020 | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 9,917 | \$ 6,820 | \$ 8,609 | \$ 7,891 |
| Interest on the Total OPEB Liability | 9,268 | 11,026 | 10,035 | 10,439 |
| Changes of Benefit Terms | - | - | - | - |
| Difference Between Expected and Actual Experience | (3,259) | 1,562 | (2,526) | (3,606) |
| Changes of Assumptions | 34,491 | 58,365 | (26,094) | 9,559 |
| Benefit Payments* | (11,293) | (11,790) | (10,311) | (8,556) |
| Net Change in Total OPEB Liability | 39,124 | 65,983 | (20,287) | 15,727 |
| Total OPEB Liability - Beginning | 333,922 | 267,939 | 288,226 | 272,499 |
| Total OPEB Liability - Ending | \$ 373,046 | \$ 333,922 | \$ 267,939 | \$ 288,226 |
| Covered Payroll | \$ 2,895,577 | \$ 2,741,899 | \$ 2,643,724 | \$ 2,444,483 |
| Total OPEB Liability as a Percentage of Covered Payroll | 12.88% | 12.18% | 10.13% | 11.79% |

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

COUNTY OF RUNNELS
Notes to the Other Information
September 30, 2021

Note A - Net Pension Liability

Following are the key assumptions and methods used in this GASB analysis:

| | |
|---|---|
| Valuation Timing | Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | |
| Recognition of Economic/Demographic Gains or Losses | Straight-Line Amortization Over Expected Working Life |
| Recognition of Assumptions Changes or Inputs | Straight-Line Amortization Over Expected Working Life |
| Asset Valuation Method | |
| Smoothing Period | 5 Years |
| Recognition Method | Non-Asymptotic |
| Corridor | None |
| Inflation | 2.5% |
| Salary Increases | 4.6% |
| Investment Rate of Return | 7.6% |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately. |
| Turnover | New employees are assumed to replace any terminated members and have similar entry ages. |
| Mortality | Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014. |

COUNTY OF RUNNELS
Notes to the Other Information - Continued
September 30, 2021

Note B - Total OPEB Liability

Following are the key assumptions and methods used in this GASB analysis.

Actuarial Assumptions - The total OPEB 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 Normal |
| Amortization Method | |
| Recognition of Economic/Demographic Gains or Losses | Straight-Line Amortization Over Expected Working Life |
| Recognition of Assumptions Changes or Inputs | Straight-Line Amortization Over Expected Working Life |
| Investment Rate of Return (Discount Rate) | 2.12% |

Mortality rates were based on the following criteria:

| | |
|---|---|
| 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 Table 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 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |

All actuarial assumptions that determined the total OPEB liability as of December 31, 2020, were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, 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, and have issued our report thereon dated June 18, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

June 18, 2022