

ANNUAL FINANCIAL REPORT

Lee County, Texas

Fiscal Year Ended
September 30, 2021

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Lee County, Texas

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September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
Members of the Commissioners' Court
Lee County, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lee County, Texas (the "County"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.F. to the financial statements, the County restated beginning net position of governmental activities to properly record a capital asset purchased through lease financing during the prior year and restated fiduciary net position due to the implementation of GASB No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liabilities and related ratios, as listed in the table of contents, and budgetary comparison information for the general and road and bridge funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 Information

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

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
June 30, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2021

As management of Lee County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2021.

FINANCIAL HIGHLIGHTS

- The general fund reported a decrease in fund balance of \$122,435 compared to a budgeted reduction of \$4,536,675, which results in a total positive budget variance of \$4,414,240.
- The County's net position increased by \$1,958,472.
- The County's total net position was \$41,706,835 at September 30, 2021.
- The County's net pension liability and other postemployment benefits liability were \$1,732,712 and \$7,976,574, respectively, at September 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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.

The *statement of net position* presents financial information on all of the County's assets and liabilities with the difference 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

Both of the government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, and culture and recreation.

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 three categories: governmental funds, proprietary 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 fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, the American Rescue Plan fund, which are considered to be major funds. The debt service fund is not considered to be a major fund, but has been presented as such. Data from the other twenty governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general, road and bridge, and debt service funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds. The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary fund. The *Custodial funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

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

Other Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and Other Postemployment Benefits ("OPEB") benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on OPEB.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$41,706,835 at the close of the most recent fiscal year.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2021	2020
Current and other assets	\$ 25,952,212	\$ 24,004,171
Capital assets, net	28,321,194	28,304,644
Investment in airport	997,600	1,023,361
Total Assets	55,271,006	53,332,176
Total Deferred		
Outflows	2,469,497	1,811,689
Current liabilities	1,772,367	1,398,514
Long-term liabilities	13,338,368	13,263,343
Total Liabilities	15,110,735	14,661,857
Total		
Deferred Inflows	922,933	733,645
Net position:		
Net investment		
in capital assets	23,804,562	23,157,866
Restricted	10,218,933	8,410,350
Unrestricted	7,683,340	8,180,147
Total Net Position	\$ 41,706,835	\$ 39,748,363

The County's net position increased to \$41,706,835 from \$39,748,363. The County's unrestricted net position was \$7,683,340. The County's current and other assets increased primarily as a result of increased cash on hand, which is a direct result of revenues exceeding expenditures throughout the year. The County's net investment in capital assets continued to increase as improvements were made to the County's infrastructure and courthouse. Total liabilities increased primarily as a result of the increased actuarial valuation of the County's TCDRS pension and OPEB liability.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

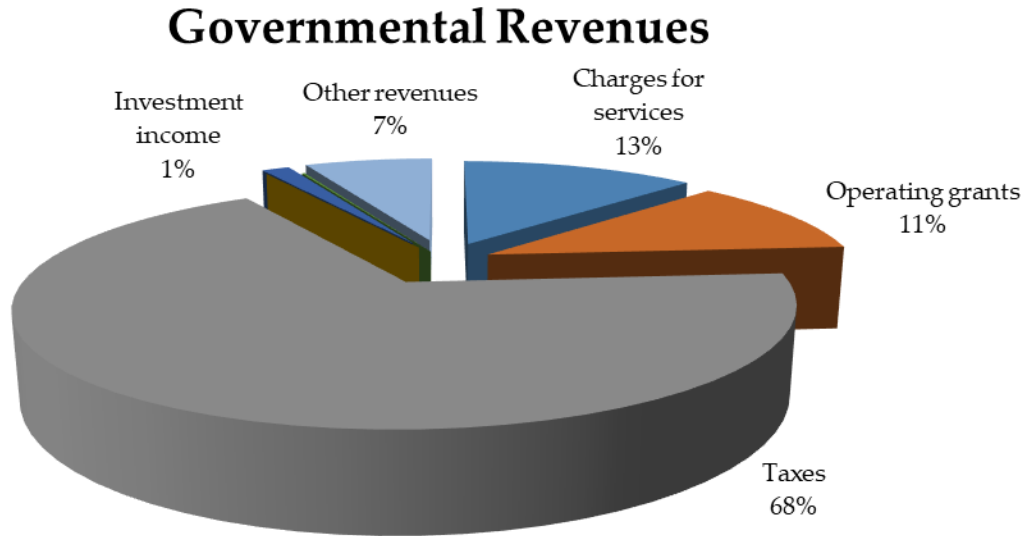
Statement of Activities

The following table provides a summary of the County's changes in net position for the years ended:

	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 2,121,679	\$ 2,082,366
Operating grants	1,882,576	1,018,152
General revenues:		
Taxes	11,387,591	13,373,067
Investment income	251,110	347,247
Rents and royalties	23,480	34,610
Other revenues	1,166,194	675,544
Total Revenues	16,854,077	17,530,986
Expenses		
General government	4,301,609	4,127,089
Public safety	5,040,965	4,701,381
Roads and bridges	4,322,990	3,759,633
Health and welfare	576,555	610,848
Culture and recreation	1,085	6,763
Conservation and development	540,949	386,007
Interest and fiscal agent fees on long-term debt	111,452	123,196
Total Expenses	14,895,605	13,714,917
Change in Net Position	1,958,472	3,816,069
Beginning net position	39,748,363	35,932,294
Ending Net Position	\$ 41,706,835	\$ 39,748,363

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

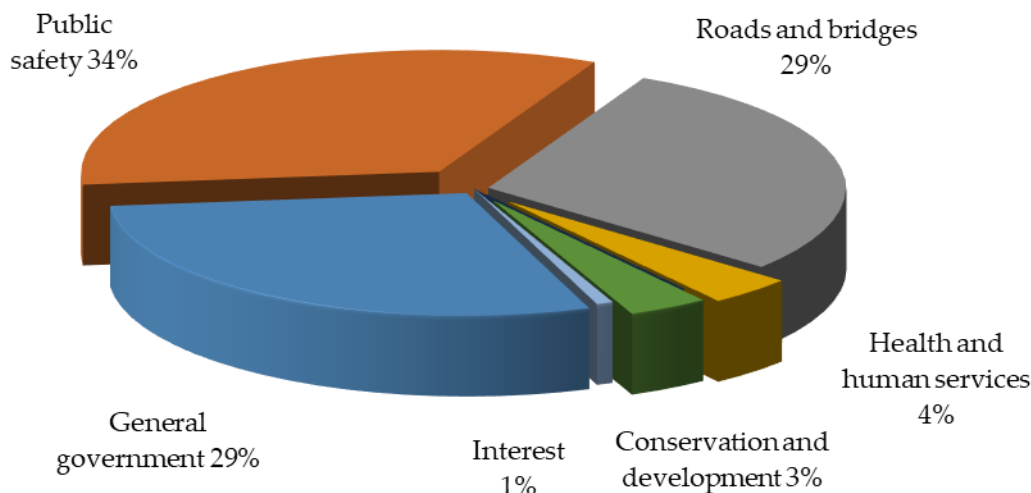
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the County's activities.



Total governmental revenues decreased by \$676,909 or 4% from the prior year. Operating grant revenue increased by \$864,424 due to nonrecurring grants received through the American Rescue Plan. Tax revenue decreased by \$1,985,476 or 15% primarily due to an 11% decrease in the property tax rate over the course of the year. In addition, nonrecurring sales taxes on oil lines were recognized in the prior year. Investment income decreased by \$96,137 or 28% primarily due to the County's realization of lower interest rates in the current year. Other revenues increased by \$490,650 or 73% primarily due to nonrecurring insurance claims for hail damage were received in the current year. All other revenues remained relatively consistent compared to the prior year.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Governmental Expenses



Total governmental expenses increased by \$1,180,688 or 9% from the prior year. Public safety expenses increased by \$339,584 or 7% primarily due to greater personnel costs, vehicle maintenance, and municipal court operating expenses in the current year. Roads and bridges expenses increased by \$563,357 or 15% primarily due to greater depreciation expenses and nonrecurring building maintenance in the current year. Conservation and development expenses increased by \$154,942 or 40% primarily due to nonrecurring professional fees incurred related to the ongoing court restoration project. All other expenses remained relatively consistent compared to the prior year.

Financial Analysis of Governmental Funds

As noted earlier, 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. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's governing body.

The County's governmental funds reflect a combined fund balance of \$23,689,794. Of this, \$12,492,318 is unassigned and available for day-to-day operations of the County, \$5,024,422 is restricted for road and bridge expenditures, \$1,678,178 is restricted for grant activities, and \$123,180 is restricted for debt service. The County has nonspendable funds of \$104,615 that consists of prepaid items. Committed

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

fund balance is \$873,928 and restricted fund balance for special revenue funds is \$3,393,153.

There was an increase in the combined fund balance of \$1,719,806 over the prior year. Included in this change is an increase of \$34,265 in the road and bridge fund, a decrease in the debt service fund of \$43,455, an increase of \$1,678,178 in the American Rescue Plan fund, an increase in nonmajor governmental funds of \$173,253, and a decrease of \$122,435 in the general fund. The County's fund balance policy for the general fund is a three-month reserve. With the previously noted increase, the general fund balance of \$12,588,350 is estimated to be \$10,193,615 over policy.

General Fund Budgetary Highlights

Actual general fund revenues were over final budgeted revenues by \$812,928 during the year. This increase is primarily attributable to property taxes, fines and forfeitures, charges for services, and other revenues exceeding the anticipated amount in the original budget projections. Actual general fund expenditures were under the final budgeted expenditures by \$1,530,694.

Capital Assets

At the end of the year, the County's governmental activities funds had invested \$28,321,194 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

The significant capital asset transactions occurring during the current year were as follows:

- New roof improvements on various County buildings totaling \$329,868.
- Investment in road infrastructure improvements amounting to \$975,542.
- Purchase of new vehicles and equipment totaling \$360,760.

More detailed information about the County's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At the end of the year, the County reported outstanding bond issuances of \$3,945,000. Principal payments on bonds of \$605,000 were made during the year on these outstanding bonds.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2021

Economic Factors

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities. The County has continued to solidify the infrastructure of the County by investing in roads and bridges within the County.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County's business office at Lee County, Texas, 200 S. Main, Room 201, Giddings, Texas 78942.

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BASIC FINANCIAL STATEMENTS

Lee County, Texas
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government Governmental Activities
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 23,899,849
Receivables, net	1,882,328
Due from custodial fund	51,039
Prepaid items	104,615
Total Current Assets	25,937,831
Non-Current Assets:	
Restricted cash	14,381
Nondepreciable capital assets	1,395,180
Capital assets (net of accumulated depreciation)	26,926,014
Investment in airport	997,600
Total Non-Current Assets	29,333,175
Total Assets	55,271,006
<u>Deferred Outflows of Resources</u>	
Pension contributions	405,237
Pension gains on investments	55,286
Pension assumption changes	951,869
OPEB changes in assumptions	1,039,473
Deferred charge on refunding	17,632
Total Deferred Outflows of Resources	2,469,497

Lee County, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2021

	Primary Government
	Governmental Activities
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 718,154
Accrued interest payable	7,445
Compensated absences, current	127,427
Long-term debt due within one year	919,341
Total Current Liabilities	1,772,367
Non-Current Liabilities:	
Net pension liability	1,732,712
OPEB liability	7,976,574
Compensated absences, noncurrent	14,159
Long-term debt due in more than one year	3,614,923
Total Non-Current Liabilities	13,338,368
Total Liabilities	15,110,735
<u>Deferred Inflows of Resources</u>	
Pension investment earnings	705,018
OPEB investment experience	217,915
Total Deferred Inflows of Resources	922,933
<u>Net Position</u>	
Net investment in capital assets	23,804,562
Restricted	10,218,933
Unrestricted	7,683,340
Total Net Position	\$ 41,706,835

See Notes to Financial Statements.

Lee County, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 4,301,609	\$ 793,895	\$ 1,848,791
Public safety	5,040,965	610,760	-
Roads and bridges	4,322,990	717,024	21,769
Health and welfare	576,555	-	12,016
Culture and recreation	1,085	-	-
Conservation and development	540,949	-	-
Interest and fiscal agent fees on long-term debt	111,452	-	-
Total Governmental Activities	<u>14,895,605</u>	<u>2,121,679</u>	<u>1,882,576</u>
Total Primary Government	<u>\$ 14,895,605</u>	<u>\$ 2,121,679</u>	<u>\$ 1,882,576</u>

General Revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Rents and royalties
Insurance claims revenues
Other revenues
Gain on sale of capital assets

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

**Net (Expense)
Revenue and
Changes in Net
Position**

**Governmental
Activities**

\$ (1,658,923)
(4,430,205)
(3,584,197)
(564,539)
(1,085)
(540,949)

(111,452)

(10,891,350)

(10,891,350)

9,975,261
1,389,749
22,581
251,110
23,480
537,214
628,980
21,447

12,849,822

1,958,472

39,748,363

\$ 41,706,835

Lee County, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Road and Bridge	Debt Service
<u>Assets</u>			
Cash and cash equivalents	\$ 12,662,381	\$ 5,141,207	\$ 121,852
Restricted cash	14,381	-	-
Receivables, net	1,432,668	393,894	55,285
Due from other funds	436	27,539	2,095
Due from custodial fund	64,679	-	-
Prepaid items	96,032	8,583	-
Total Assets	\$ 14,270,577	\$ 5,571,223	\$ 179,232
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 432,860	\$ 222,364	\$ 767
Due to other governments	20,066	76	-
Due to custodial fund	18,897	-	-
Due to other funds	37,203	-	-
Total Liabilities	509,026	222,440	767
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	536,121	315,778	55,285
Unavailable revenue - fines and forfeitures	637,080	-	-
Total Deferred Inflows of Resources	1,173,201	315,778	55,285
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	96,032	8,583	-
Restricted:			
Debt service	-	-	123,180
Road and bridge	-	5,024,422	-
Grants	-	-	-
Special revenue funds	-	-	-
Committed:			
Capital improvements	-	-	-
Special revenue funds	-	-	-
Unassigned	12,492,318	-	-
Total Fund Balances	12,588,350	5,033,005	123,180
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,270,577	\$ 5,571,223	\$ 179,232

See Notes to Financial Statements.

American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,678,178	\$ 4,296,231	\$ 23,899,849
-	-	14,381
-	481	1,882,328
-	16,510	46,580
-	5,257	69,936
-	-	104,615
<u>\$ 1,678,178</u>	<u>\$ 4,318,479</u>	<u>\$ 26,017,689</u>
\$ -	\$ 42,021	\$ 698,012
-	-	20,142
-	-	18,897
-	9,377	46,580
<u>-</u>	<u>51,398</u>	<u>783,631</u>
-	-	907,184
-	-	637,080
<u>-</u>	<u>-</u>	<u>1,544,264</u>
-	-	104,615
-	-	123,180
-	-	5,024,422
1,678,178	-	1,678,178
-	3,393,153	3,393,153
-	797,065	797,065
-	76,863	76,863
-	-	12,492,318
<u>1,678,178</u>	<u>4,267,081</u>	<u>23,689,794</u>
<u>\$ 1,678,178</u>	<u>\$ 4,318,479</u>	<u>\$ 26,017,689</u>

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Lee County, Texas
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

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

Total fund balances - governmental funds	\$	23,689,794
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		
Nondepreciable capital assets		1,395,180
Depreciable capital assets		47,796,939
Accumulated depreciation		(20,870,925)
The investment in airport is considered a long-term investment		997,600
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as:		
Unavailable revenue - property taxes		907,184
Unavailable revenue - fines and forfeitures		637,080
Deferred outflows of resources represent a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditures) until then		
Pension contributions		405,237
Pension assumption changes		951,869
Pension (gains) losses		55,286
OPEB changes in assumptions		1,039,473
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not recognized as an outflow of resources (revenues) until then		
Pension investment earnings		(705,018)
OPEB investment experience		(217,915)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		(7,445)
Bonds, capital leases, & other liabilities		(4,534,264)
Deferred loss on advance refunding		17,632
Net pension liability		(1,732,712)
OPEB liability		(7,976,574)
Compensated absences		(141,586)
Net Position of Governmental Activities	\$	41,706,835

See Notes to Financial Statements.

Lee County, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Road and Bridge	Debt Service
<u>Revenues</u>			
Property taxes	\$ 6,862,881	\$ 2,335,019	\$ 660,560
Sales taxes	1,304,974	84,775	-
Other taxes	22,581	-	-
Fines and forfeitures	496,835	-	-
Charges for services	684,582	717,024	-
Intergovernmental revenue	174,554	21,769	-
Investment income	132,011	72,801	6,545
Rents and royalties	15,034	8,446	-
Other revenue	110,517	321,117	-
Total Revenues	9,803,969	3,560,951	667,105
<u>Expenditures</u>			
Current:			
General government	3,715,972	-	-
Public safety	4,550,792	-	-
Public works	785,398	3,903,119	-
Health and welfare	343,752	-	-
Culture and recreation	-	-	-
Conservation and development	183,027	-	-
Debt Service:			
Principal	-	28,081	605,000
Interest and fiscal charges	-	4,177	105,560
Total Expenditures	9,578,941	3,935,377	710,560
Excess (Deficiency) of Revenues Over (Under) Expenditures	225,028	(374,426)	(43,455)
<u>Other Financing Sources (Uses)</u>			
Transfers in	58,274	418,636	-
Transfers (out)	(949,343)	(25,000)	-
Insurance claims income	537,214	-	-
Proceeds from sale of capital assets	6,392	15,055	-
Total Other Financing Sources (Uses)	(347,463)	408,691	-
Net Change in Fund Balances	(122,435)	34,265	(43,455)
Beginning fund balances	12,710,785	4,998,740	166,635
Ending Fund Balances	\$ 12,588,350	\$ 5,033,005	\$ 123,180

See Notes to Financial Statements.

<u>American Rescue Plan</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,858,460
-	-	1,389,749
-	-	22,581
-	-	496,835
-	218,537	1,620,143
1,674,237	12,016	1,882,576
3,941	35,812	251,110
-	-	23,480
-	208,052	639,686
<u>1,678,178</u>	<u>474,417</u>	<u>16,184,620</u>
-	142,421	3,858,393
-	92,973	4,643,765
-	-	4,688,517
-	211,346	555,098
-	1,085	1,085
-	350,772	533,799
-	-	633,081
-	-	109,737
<u>-</u>	<u>798,597</u>	<u>15,023,475</u>
1,678,178	(324,180)	1,161,145
-	580,758	1,057,668
-	(83,325)	(1,057,668)
-	-	537,214
-	-	21,447
<u>-</u>	<u>497,433</u>	<u>558,661</u>
1,678,178	173,253	1,719,806
-	4,093,828	21,969,988
<u>\$ 1,678,178</u>	<u>\$ 4,267,081</u>	<u>\$ 23,689,794</u>

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Lee County, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
September 30, 2021

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

Net changes in fund balances - total government funds	\$ 1,719,806
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Capital outlay	1,666,170
Depreciation expense	(1,649,620)
Change in investment in joint venture	(25,761)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Unavailable revenue - property taxes	116,801
Unavailable revenue - fines and forfeitures	19,756
<p>Bonds and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.</p>	
Principal payment	633,081
Deferred charge on refunding	(2,938)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net change in compensated absences.</p>	
OPEB expense	(563,305)
Pension expense	40,079
Compensated absences	3,180
Accrued interest	1,223
Change in Net Position of Governmental Activities	\$ 1,958,472

See Notes to Financial Statements.

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Lee County, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2021

	County Officials	State Fees	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 1,351,156	\$ 73,109	\$ 1,424,265
Due from County	-	18,897	18,897
Due from custodial fund	-	10,764	10,764
Total Assets	1,351,156	102,770	1,453,926
<u>Liabilities</u>			
Accounts payable	-	15,532	15,532
Due to other entities	347,218	-	347,218
Due to County	69,936	-	69,936
Due to custodial fund	10,764	-	10,764
Total Liabilities	427,918	15,532	443,450
<u>Net Position</u>			
Restricted	923,238	87,238	1,010,476
Total Net Position	\$ 923,238	\$ 87,238	\$ 1,010,476

See Notes to Financial Statements.

Lee County, Texas
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2021

	County Officials	State Fees	Total
<u>Additions</u>			
Additions	\$ 14,655,295	\$ 196,690	\$ 14,851,985
Total Additions	14,655,295	196,690	14,851,985
<u>Deductions</u>			
Deductions	14,533,479	142,744	14,676,223
Total Deductions	\$ 14,533,479	\$ 142,744	\$ 14,676,223
Change in Net Position	121,816	53,946	175,762
Beginning net position	801,422	33,292	834,714
Ending Net Position	\$ 923,238	\$ 87,238	\$ 1,010,476

See Notes to Financial Statements.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

Lee County, Texas, (the "County") is an independent government entity created in 1874 from Washington County by an act of the Texas Legislature. The County is governed by Commissioners' Court, composed of four County Commissioners and the County Judge, all of which are elected officials.

The County's financial statements include the accounts of all County operations. The County provides a vast array of services including public safety, environmental protections, public transportation, health and welfare, culture and recreation, conservation, public facilities, judicial, legal, and election functions, and general and financial administrative services.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *road & bridge fund* is used to account for revenues of property taxes levied and vehicle registration fees for the road & bridge fund. Uses of funds are restricted for the maintenance of roads, bridges, and the operations of related facilities. All precinct operations as well as permanent road monies are accounted for in this fund.

The *debt service fund* is used to account for the payment of interest and principal on all certificate of obligation bonds and other long-term debt of the County. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *American Rescue Plan* fund is used to account for revenues and grant expenditures related to funds received through the federal government's COVID-19 relief response.

Additionally, the government reports the following fund types:

The *custodial funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

The *special revenue funds* account for resources restricted to, or designated for, specific purposes in a special revenue fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, road & bridge fund, and debt service fund. The capital improvements fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Commissioner's Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. While all appropriations lapse at year end, surpluses may be re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices.) Investment positions in external investment pools that are operated in a

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The Local Government Code of Texas authorizes the County to invest in:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) collateral mortgage obligations although significantly limited;
- (4) other obligations, the principal and interest on which are unconditionally guaranteed or insured or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- (5) obligations of state, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- (6) certificates of deposit issued by state and national banks or savings and loan domiciled in Texas which are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (b) secured by obligations of paragraphs (1) to (5) above and that have a market value of not less than the principal amount of the certificates but excluding certain mortgage-backed securities;
 - (c) fully collateralized repurchase agreements, bankers' acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools all of which are required to meet certain restrictive criteria.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives.

<u>Asset Description</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings & improvements	20-50
Machinery & equipment	5-10

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. *Net position flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The commissioner's court is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

The governing body has by resolution authorized the county auditor to assign fund balance. The court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The County's policy is to maintain an unassigned fund balance in the general and debt service funds of approximately 25% of budgeted expenditures or debt service to be used during the subsequent fiscal year.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Other Postemployment Benefits*

The District has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The County provides medical and dental benefits to eligible retirees. Effective January 1, 2021, the County pays \$500 of the monthly contribution for the individual medical coverage for retirees; age 55 with 25 years of service at retirement, have been enrolled in the County health insurance program at retirement and at least four years immediately preceding, and not eligible for Medicare at time of retirement. The retiree pays the remainder of the individual contribution and 100% of the contribution for medical dependent coverage and dental coverage. All eligible retirees receive a subsidy at age 65 and older equal to the Plan F Medicare supplement premium. Employees who qualified for original Level 1 benefits at December 31, 2020 still qualify for the benefits retiring after January 1, 2021.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of October 1st. 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. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to year end were not considered material.

3. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners' Court prior to the beginning of the year. The legal level of control is the department level in the general fund and road and bridge fund and fund level for all other funds. The budget cannot be amended without the approval of Commissioners' Court.

Appropriations lapse at the end of the year except in the road and bridge – special revenue fund. Budgets are adopted for all funds. Budgets are adopted on a GAAP basis for all budget funds except for the capital projects fund, which adopts a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2021.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the County had the following investments:

Investment Type	Value	Weighted Average Maturity
External investment pool (TexPool)	\$ 5,747,679	37 days
External investment pool (Texas Class)	3,011,562	53 days
	\$ 8,759,241	
Portfolio weighted average maturity		45 days

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk. State law and the County’s investment policy limits investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2021, the County’s investments in TexPool and Texas CLASS was rated AAAM by Standard & Poor’s.

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 may not be returned to it. The County’s investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2021, market values of pledged securities and FDIC insurance exceeded bank balances.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”) was created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Finally, Standard & Poor’s rate Texas CLASS AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances at year end:

	General	Road and Bridge	Debt Service	Nonmajor Govt.	Total
Taxes receivable	\$ 779,072	\$ 183,067	\$ 55,285	\$ -	\$ 1,017,424
Fines receivable	6,092,067	-	-	-	6,092,067
Other receivables	44,390	210,827	-	481	255,698
Less: allowance	(5,482,861)	-	-	-	(5,482,861)
	<u>\$ 1,432,668</u>	<u>\$ 393,894</u>	<u>\$ 55,285</u>	<u>\$ 481</u>	<u>\$ 1,882,328</u>

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2021, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases/ Transfers)</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,306,043	\$ -	\$ -	\$ 1,306,043
Construction in progress	89,137	-	-	89,137
Total capital assets not being depreciated	<u>1,395,180</u>	<u>-</u>	<u>-</u>	<u>1,395,180</u>
Other capital assets:				
Infrastructure	19,481,238	329,868	-	19,811,106
Buildings & improvements	10,843,389	360,760	(38,936)	11,165,213
Machinery & equipment	15,845,078	975,542	-	16,820,620
Total other capital assets	<u>46,169,705</u>	<u>1,666,170</u>	<u>(38,936)</u>	<u>47,796,939</u>
Less accumulated depreciation for:				
Buildings & improvements	(5,413,720)	(431,486)	-	(5,845,206)
Machinery & equipment	(8,389,261)	(761,264)	38,936	(9,111,589)
Infrastructure	(5,457,260)	(456,870)	-	(5,914,130)
Total accumulated depreciation	<u>(19,260,241)</u>	<u>(1,649,620)</u>	<u>38,936</u>	<u>(20,870,925)</u>
Other capital assets, net	<u>26,909,464</u>	<u>16,550</u>	<u>-</u>	<u>26,926,014</u>
Total	<u>\$ 28,304,644</u>	<u>\$ 16,550</u>	<u>\$ -</u>	<u>\$ 28,321,194</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 297,875
Public Safety	270,361
Public Works	602,480
Health and Welfare	13,494
Streets	465,410
Total Governmental Activities Depreciation Expense	<u>\$ 1,649,620</u>

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

D. Investment in Airport

The City of Giddings and Lee County co-own and co-operate an airport. Each entity has a 50 percent ownership interest in the airport. The County's share is reported as "investment in airport" on the statement of net position.

The following is the condensed balance sheet and income statement for the airport as of and for the year ended September 30, 2021:

Balance Sheet	
Assets	
Current assets	\$ 209,837
Fixed assets, net	1,785,361
Total Assets	\$ 1,995,198
 Liabilities and Retained Earnings	
Current liabilities	\$ (1)
Total Liabilities	(1)
Retained earnings	1,995,199
Total Liabilities and Retained Earnings	\$ 1,995,198
Lee County Investment in Airport (50%)	\$ 997,600

Income Statement	
<u>Operating Income</u>	
Charges for services	\$ 93,011
Other revenue	5,469
Total Operating Income	98,480
 <u>Operating Expenses</u>	
Cost of sales	72,789
Depreciation	79,090
Total Operating Expenses	151,879
 <u>Other Income (Expense)</u>	
Interest income	1,877
Total Other Income (Expense)	1,877
<u>Net Income (Loss)</u>	\$ (51,522)
Net Income (Loss) Attributable to Lee County (50%)	\$ (25,761)

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

E. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$17,632. Current year amortization expense for governmental activities totaled \$2,938.

F. Long-Term Debt

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2021. In general, the County uses the road and bridge and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2015 General Obligation Refunding Bond	\$ 4,550,000	\$ -	\$ (605,000)	\$ 3,945,000	\$ 620,000
Capital leases	617,345	-	(28,081)	589,264	299,341
Total Governmental Activities	\$ 5,167,345	\$ -	\$ (633,081)	\$ 4,534,264	\$ 919,341
Long-term liabilities due in more than one year				\$ 3,614,923	

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

In September 2015, the County issued \$7,375,000 in bonds, bearing an annual interest rate of 2.32%. Principal payments are due annually on September 1 through September 2027.

In June 2019, the County purchased two John Deere M15 flex wing rotary cutters through capital lease financing for \$36,142. An initial principal payment of \$17,057 was made in the current year. Annual payments of \$7,057 (principal and interest) are due through June 2022. The lease bears interest of 5.78%.

In June 2020, the County purchased IP base console upgrades from Motorola Solutions through capital lease financing for \$539,032. The lease does not bear interest. Principal payments are due annually through October 2022.

In August 2020, the County purchased a piece of Anderson machinery equipment through capital lease financing for \$143,750. An initial down payment of \$75,000 was made in the current year. Monthly payments of \$2,100 (principal and interest) are due through July 2023.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

The lease bears interest of 6.91%.

Long-term debt obligations of the County as of September 30, 2021, are as follows:

GO Refunding Bonds			
Fiscal Year	Principal	Interest	Total
2022	\$ 620,000	\$ 91,524	\$ 711,524
2023	635,000	77,140	712,140
2024	650,000	62,408	712,408
2025	665,000	47,328	712,328
2026	680,000	31,900	711,900
2027	695,000	16,124	711,124
Total	\$ 3,945,000	\$ 326,424	\$ 4,271,424

Capital Lease - Motorola			
Fiscal Year	Principal	Interest	Total
2022	\$ 269,516	\$ -	\$ 269,516
2023	269,516	-	269,516
Total	\$ 539,032	\$ -	\$ 539,032

Capital Lease - John Deere			
Fiscal Year	Principal	Interest	Total
2022	\$ 6,697	\$ 360	\$ 7,057
Total	\$ 6,697	\$ 360	\$ 7,057

Capital Lease - Anderson			
Fiscal Year	Principal	Interest	Total
2022	\$ 23,128	\$ 2,072	\$ 25,200
2023	20,407	591	20,998
Total	\$ 43,535	\$ 2,663	\$ 46,198

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

G. Other Long-term Liabilities

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the County uses the general fund to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 144,766	\$ 184,806	\$ (187,986)	\$ 141,586	\$ 127,427
Total Governmental Activities	<u>\$ 144,766</u>	<u>\$ 184,806</u>	<u>\$ (187,986)</u>	<u>\$ 141,586</u>	<u>\$ 127,427</u>
Long-term Liabilities Due in More than One Year				<u>\$ 14,159</u>	

H. Interfund Transactions

Operating transfers between the primary governmental funds during the 2021 year were as follows:

<u>Transfer In:</u>	<u>Transfers out:</u>			<u>Total</u>
	<u>General</u>	<u>Road & Bridge</u>	<u>Nonmajor Govt</u>	
General	\$ -	\$ -	\$ 58,274	\$ 58,274
Road & Bridge	418,636	-	-	418,636
Nonmajor govt.	530,707	25,000	25,051	580,758
Total	<u>\$ 949,343</u>	<u>\$ 25,000</u>	<u>\$ 83,325</u>	<u>\$ 1,057,668</u>

The composition of interfund balances as of September 30, 2021, is as follows:

<u>Due from (Receivable fund):</u>	<u>Due to (Payable fund):</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Govt.</u>	<u>Fiduciary</u>	
General	\$ -	\$ 436	\$ 64,679	\$ 65,115
Debt Service	2,095	-	-	2,095
Road and Bridge	18,598	8,941	-	27,539
Nonmajor govt.	16,510	-	5,257	21,767
Fiduciary	18,897	-	10,764	29,661
	<u>\$ 56,100</u>	<u>\$ 9,377</u>	<u>\$ 80,700</u>	<u>\$ 146,177</u>

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

I. Restricted Net Position and Fund Balance

The County records restricted and committed fund balances for the following items:

Nonspendable for:	
Prepaid insurance	\$ 104,615
Restricted for:	
Debt service	\$ 123,180
Road and bridge	5,024,422
Grants	1,678,178
*Special revenue funds	3,393,153
Total Restricted	\$ 10,218,933
Committed for:	
Capital improvements	\$ 797,065
Special revenue funds	76,863
Total Committed	\$ 873,928

*Restricted by enabling legislation or grant restrictions

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the County carries commercial insurance. In addition, the County participates along with 338 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. The Texas Association of Counties created this pool in 1974 to insure the County for worker compensation related claims. The County also provides its employees benefits, including medical and life insurance, which the County obtains through the Texas Association of Counties Insurance Trust Fund. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The County reports liabilities when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payout and other economic and social factors. The liability for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2021.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that it will have any arbitrage liability, it will periodically engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if warranted.

D. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

E. 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 and County 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 nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at: P. O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the Commissioners' Court within the options available in 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ACDR) 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. The County contributed using a rate of 10.00% for the months of the accounting year in 2021 and 10.00% for the months of the accounting year in 2020.

The Commissioners' Court adopted the rate of 5% as the contribution rate payable by the employee members for calendar year 2021. The Commissioners' Court may change the

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

Contributions (Fiscal Year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annual Req. Contribution (ARC)	\$ 543,826	\$ 502,705	\$ 441,515
Contributions Made	(543,826)	(502,705)	(441,515)
Excess / (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Annual Pension Costs

The County's schedule of funding information can be found in the Required Supplemental Information section of this report.

The required contribution rates for fiscal year 2021 were determined as part of the December 31, 2020 actuarial valuation.

Additional information as of the three latest actuarial valuations also follows:

	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Valuation Date	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	Level Percent of	Level Percent of	Level Percent of
Amortization Method	payroll, closed	payroll, closed	payroll, closed
Amortization Period	12.7 years	9.9 years	20.0 years
in years			
Asset Valuation Method	5-year Smoothed	5-year Smoothed	5-year Smoothed
	Fund	Fund	Fund
Actuarial Assumptions:			
Investment Rate of	8.1%	8.1%	7.5%
Return *			
Projected Salary	4.90%	4.90%	4.60%
Increases *			
* Includes Inflation at	3.0%	2.75%	2.50%
stated-rate			
Cost-of Living			
Adjustments	0.0%	0.0%	0.0%

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

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	75
Inactive employees entitled to but not yet receiving benefits	82
Active employees	120
Total	<u>277</u>

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.6% per year depending on experience
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.1% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	25.00%	7.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities – Developed	MSCI World Ex USA (net)	5.00%	4.25%
International Equities – Emerging	MSCI Emerging Markets (net)	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-.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)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	4.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day US Treasury	2.00%	-.70%

(1) Target asset allocation adopted at the March 2021 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater’s 2021 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/19	\$ 20,552,328	\$ 19,421,798	\$ 1,130,530
Changes for the year:			
Service cost	487,456	-	487,456
Interest on total pension liability ⁽¹⁾	1,668,435	-	1,668,435
Effect of plan changes (2)	-	-	-
Effect on economic/demographic gains or losses	(3,320)	-	(3,320)
Effect of assumptions changes or inputs	1,220,145	-	1,220,145
Refund on contributions	(60,942)	(60,942)	-
Benefit payments	(840,256)	(840,256)	-
Administrative expense	-	(15,579)	15,579
Member contributions	-	524,025	(524,025)
Net investment income	-	2,006,158	(2,006,158)
Employer contributions	-	262,013	(262,013)
Other ⁽³⁾	-	(6,083)	6,083
Balance at 12/31/20	\$ 23,023,846	\$ 21,291,134	\$ 1,732,712

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

(2) No plan changes valued.

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

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Sensitivity of the net pension liability to changes in the discount rate

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

1% Decrease 6.60%	Current Single Rate Assumption 7.60%	1% Increase 8.60%
\$ 4,535,543	\$ 1,732,712	\$ (619,776)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the internet at www.tcdrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2021, the County recognized pension expense of \$505,432.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (705,018)
Differences between expected and actual economic experience	55,286	
Differences in assumptions	951,869	-
Contributions subsequent to the measurement date	405,237	-
Total	\$ 1,412,392	\$ (705,018)

The County reported \$405,237 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
December 31:	
2021	\$ 119,455
2022	317,213
2023	(46,843)
2024	(87,688)
2022	-
	\$ 302,137

Other Postemployment Benefits

The County provides medical and dental benefits to eligible retirees. The County pays \$500 of the monthly contribution for the individual medical coverage for retirees age 50 with 25 years of service at retirement. The retiree pays the remainder of the individual contribution and 100% of the contribution for medical dependent coverage and dental coverage. All eligible retirees receive a subsidy at age 65 and older equal to the Plan F Medicare supplement premium. All active employees who retire directly from the County and meet the eligibility criteria may participate.

Employees covered by benefit terms

At the September 30, 2020 valuation and measurement date (the most recent date available), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	0
Active employees	69
Total	103

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Schedule of Funding Progress

Below is the schedule of funding progress. Ultimately 10 years of funding progress will be presented in the financial statements.

Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
30-Sep-18	\$ -	\$ 5,616,270	\$ 5,616,270	0.00%	\$ 4,511,731	124.48%
30-Sep-19	\$ -	\$ 6,023,280	\$ 6,023,280	0.00%	\$ 5,041,491	119.47%
30-Sep-20	\$ -	\$ 7,584,072	\$ 7,584,072	0.00%	\$ 4,569,346	165.98%
30-Sep-21	\$ -	\$ 7,976,574	\$ 7,976,574	0.00%	\$ 4,569,346	174.57%

Total OPEB Liability

The District's Postemployment Benefits Other Than Pensions Liability for the benefit plan was measured as of September 30, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the September 30, 2020 actuarial valuation (the most recent date available) was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.25% (0.25% real rate of return plus 2.00% inflation)

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RPH-2014 Total Table with Projection MP-2019.

Sensitivity Analysis of the Trend and Discount Rate

GASB 75 requires that a sensitivity analysis of the trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates used in the valuation. The values shown below are as of September 30, 2021.

Healthcare Trend		
1% Decrease (3.50%)	Current Trend 4.50%	1% Increase (5.50%)
\$ 6,513,016	\$ 7,976,574	\$ 9,938,060

Lee County, Texas
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For the Year Ended September 30, 2021

Discount Rate		
1% Increase (3.25%)	Current Discount Rate 2.25%	1% Decrease (1.25%)
\$ 6,665,114	\$ 7,976,574	\$ 9,672,408

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 9/30/2020	\$ 7,584,072
Changes for the year:	
Service Cost	361,833
Interest	177,135
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(146,466)
Net changes	392,502
Balance at 9/30/2021	\$ 7,976,574

Total OPEB Expense

This expense includes the service cost, interest cost, and the amortized amount for each basis required by GASB 75.

Total OPEB Expense	Fiscal Year 2021
Service Cost	\$ 361,833
Changes for the year:	
Interest Cost (including interest on Service Cost)	177,135
Change in assumptions	216,107
Difference between expected and actual experience	(45,305)
Total OPEB Expense as of 9/30/2021	\$ 709,770

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ -	\$ (217,915)
Changes in assumptions	1,039,473	-
Contributions subsequent to measurement date	-	-
Total	<u>\$ 1,039,473</u>	<u>\$ (217,915)</u>

The County reported \$0 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	
2022	\$ 170,802
2023	170,802
2024	170,802
2025	170,802
2026	138,350
	<u>\$ 821,558</u>

F. Restatement

The County restated beginning net position due to not recording a capital asset purchased through lease financing in the prior year.

The County restated beginning net position as follows:

	<u>Governmental Activities</u>
Prior year ending net position, as reported	\$ 39,779,807
Recognition of capital lease	(539,032)
Added capital asset under lease, net of depreciation	507,588
Restated beginning net position	<u>\$ 39,748,363</u>

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

	Fiduciary Funds
Prior year ending net position as reported	\$ -
Implementation of GASB 84	1,636,137
Restated beginning net position	\$ 1,636,137

G. Subsequent Events

There were no material subsequent events through June 30, 2022, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Lee County, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 6,597,663	\$ 6,597,663	\$ 6,862,881	\$ 265,218
Sales taxes	1,300,000	1,300,000	1,304,974	4,974
Other taxes	4,000	4,000	22,581	18,581
Fines and forfeitures	294,000	294,000	496,835	202,835
Charges for services	475,700	476,900	684,582	207,682
Intergovernmental revenue	148,678	148,678	174,554	25,876
Investment income	100,000	100,000	132,011	32,011
Rents and royalties	12,300	12,300	15,034	2,734
Other revenue	57,500	57,500	110,517	53,017
Total Revenues	8,989,841	8,991,041	9,803,969	812,928
Expenditures				
General government	4,547,560	4,524,693	3,715,972	808,721
Public safety	5,086,913	5,112,537	4,550,792	561,745
Public works	548,827	876,632	785,398	91,234
Health and welfare	396,593	396,593	343,752	52,841
Culture and recreation	5,600	5,600	-	5,600
Conservation and development	193,580	193,580	183,027	10,553
Total Expenditures	10,779,073	11,109,635	9,578,941	1,530,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,789,232)	(2,118,594)	225,028	2,343,622
Other Financing Sources				
(Uses)				
Transfers (out)	(2,836,717)	(2,836,717)	(949,343)	1,887,374
Transfers in	58,274	58,274	58,274	-
Insurance claims income	30,000	359,362	537,214	177,852
Proceeds from sale of capital assets	1,000	1,000	6,392	5,392
Total Other Financing Sources (Uses)	(2,747,443)	(2,418,081)	(347,463)	2,070,618
Net Change in Fund Balance	\$ (4,536,675)	\$ (4,536,675)	(122,435)	\$ 4,414,240
Beginning fund balance			12,710,785	
Ending Fund Balance			\$ 12,588,350	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended September 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 2,275,320	\$ 2,275,320	\$ 2,335,019	\$ 59,699
Sales taxes	80,000	80,000	84,775	4,775
Charges for services	664,000	664,000	717,024	53,024
Intergovernmental revenue	-	-	21,769	21,769
Investment income	24,000	24,000	72,801	48,801
Rents and royalties	-	-	8,446	8,446
Other revenue	72,000	220,095	321,117	101,022
Total Revenues	<u>3,115,320</u>	<u>3,263,415</u>	<u>3,560,951</u>	<u>297,536</u>
<u>Expenditures</u>				
Public works	6,943,482	7,091,577	3,903,119	3,188,458
Debt Service:				
Principal	28,081	28,081	28,081	-
Interest and fiscal charges	4,177	4,177	4,177	-
Total Expenditures	<u>6,975,740</u>	<u>7,123,835</u>	<u>3,935,377</u>	<u>3,188,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,860,420)	(3,860,420)	(374,426)	3,485,994
<u>Other Financing Sources (Uses)</u>				
Transfers in	393,916	393,916	418,636	24,720
Transfers (out)	(34,200)	(34,200)	(25,000)	9,200
Proceeds from sale of capital assets	-	-	15,055	15,055
Total Other Financing Sources (Uses)	<u>359,716</u>	<u>359,716</u>	<u>408,691</u>	<u>48,975</u>
Net Change in Fund Balance	<u>\$ (3,500,704)</u>	<u>\$ (3,500,704)</u>	34,265	<u>\$ 3,534,969</u>
Beginning fund balance			4,998,740	
Ending Fund Balance			<u>\$ 5,033,005</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Lee County, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

For the Year Ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 487,456	\$ 470,912	\$ 471,183
Interest	1,668,435	1,558,688	1,472,011
Effect of plan changes	-	90,805	-
Differences between expected and actual experience	(3,320)	88,611	(49,623)
Changes of assumptions	1,220,145	-	-
Benefit payments, including refunds of participant contributions	(901,198)	(841,290)	(805,842)
Net change in total pension liability	<u>2,471,518</u>	<u>1,367,726</u>	<u>1,087,729</u>
Total pension liability - beginning	<u>\$ 20,552,328</u>	<u>\$ 19,184,602</u>	<u>\$ 18,096,873</u>
Total pension liability - ending (a)	<u>\$ 23,023,846</u>	<u>\$ 20,552,328</u>	<u>\$ 19,184,602</u>
Plan fiduciary net position			
Contributions - employer	\$ 262,013	\$ 445,390	\$ 432,560
Contributions - members	524,025	259,552	252,075
Net investment income	2,006,158	2,761,273	(323,153)
Benefit payments, including refunds of participant contributions	(901,198)	(841,290)	(805,842)
Administrative expenses	(15,579)	(14,800)	(13,505)
Other	(6,083)	(1,962)	(1,878)
Net change in plan fiduciary net position	<u>1,869,336</u>	<u>2,608,163</u>	<u>(459,743)</u>
Plan fiduciary net position - beginning	<u>19,421,798</u>	<u>16,813,635</u>	<u>17,273,378</u>
Plan fiduciary net position - ending (b)	<u>\$ 21,291,134</u>	<u>\$ 19,421,798</u>	<u>\$ 16,813,635</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,732,712</u>	<u>\$ 1,130,530</u>	<u>\$ 2,370,967</u>
 Plan fiduciary net position as a percentage of the total pension liability	 92.47%	 94.50%	 87.64%
Covered payroll	\$ 5,240,266	\$ 5,191,039	\$ 5,041,491
Fund's net position as a percentage of covered payroll	33.07%	21.78%	47.03%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$ 451,439	\$ 448,008	\$ 407,706	\$ 395,772
	1,360,346	1,256,711	1,190,768	1,122,324
	150,235	-	(50,835)	-
	73,375	94,226	(137,074)	(26,353)
	110,280	-	171,136	-
	(768,548)	(734,713)	(722,264)	(701,325)
	<u>1,377,127</u>	<u>1,064,232</u>	<u>859,437</u>	<u>790,418</u>
	\$ 16,719,746	\$ 15,655,514	\$ 14,796,077	\$ 14,005,659
	<u>\$ 18,096,873</u>	<u>\$ 16,719,746</u>	<u>\$ 15,655,514</u>	<u>\$ 14,796,077</u>
	\$ 420,940	\$ 401,701	\$ 218,299	\$ 357,606
	245,303	234,080	374,672	208,395
	2,213,410	1,049,163	51,611	926,430
	(768,548)	(734,713)	(722,264)	(701,325)
	(11,487)	(11,381)	(10,209)	(10,649)
	(1,479)	72,035	14,544	28,473
	<u>2,098,139</u>	<u>1,010,885</u>	<u>(73,347)</u>	<u>808,930</u>
	<u>15,175,239</u>	<u>14,164,354</u>	<u>14,237,701</u>	<u>13,428,771</u>
	\$ 17,273,378	\$ 15,175,239	\$ 14,164,354	\$ 14,237,701
	<u>\$ 823,495</u>	<u>\$ 1,544,507</u>	<u>\$ 1,491,160</u>	<u>\$ 558,376</u>
	95.45%	90.76%	90.48%	96.23%
\$	4,906,064	\$ 4,681,455	\$ 4,365,978	\$ 4,167,905
	16.79%	32.99%	34.15%	13.40%

Lee County, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
For the Year Ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined employer contributions	\$ 543,826	\$ 502,705	\$ 441,515
Contributions in relation to the actuarially determined contribution	\$ 543,826	\$ 502,705	\$ 441,515
Contribution (deficiency) excess	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,438,262	\$ 5,223,922	\$ 5,145,858
Employer contributions as a percentage of covered payroll	10%	10%	9%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20.0 years
Asset Valuation Method	5 Year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average, including inflation
Investment Rate of Return	7.50%
Retirement Age	Members who are eligible for service retirement age are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Other Information:

Notes Employer contributions reflect that the current service matching rate was increased to 200% for future benefits.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	¹
\$ 377,633	\$ 433,157	\$ 376,901	\$ 357,606	
\$ 430,291	\$ 485,035	\$ 396,467	\$ 357,606	
\$ 52,658	\$ 51,878	\$ 19,566	\$ -	
\$ 5,015,050	\$ 5,653,086	\$ 4,620,824	\$ 3,155,974	
9%	9%	9%	11%	

Lee County, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS RETIREE HEALTHCARE

Year Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	¹
Total OPEB liability					
Service cost	\$ 361,833	\$ 290,720	\$ 290,720	\$ 278,261	
Interest	177,135	253,375	231,582	221,489	
Differences between expected and actual experience	-	(308,524)	-	-	
Changes of assumptions	-	1,471,687	-	-	
Benefit payments, including refunds of participant contributions	(146,466)	(146,466)	(115,292)	(121,202)	
Net change in total OPEB liability	<u>392,502</u>	<u>1,560,792</u>	<u>407,010</u>	<u>378,548</u>	
Total OPEB liability - beginning	<u>\$ 7,584,072</u>	<u>\$ 6,023,280</u>	<u>\$ 5,616,270</u>	<u>\$ 5,237,722</u>	
Total OPEB liability - ending	<u><u>\$ 7,976,574</u></u>	<u><u>\$ 7,584,072</u></u>	<u><u>\$ 6,023,280</u></u>	<u><u>\$ 5,616,270</u></u>	²
Covered payroll	\$ 4,569,346	\$ 4,569,346	\$ 5,041,491	\$ 4,511,731	
County's total OPEB liability as a percentage of covered payroll	175%	166%	119%	124%	

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***COMBINING STATEMENTS
AND SCHEDULES AND
OTHER SUPPLEMENTARY INFORMATION***

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Indigent Defense Fund - Funds received for the legal defense of the indigent in Lee County.

Economic Development Fund - This fund is used to account for revenue collected for the purpose of economic development within Lee County.

911 Tower Fund - This fund is used for the maintenance and operation costs of a communications tower to support emergency 911 operations within the County.

Election Contract - This fund accounts for the revenue collected for the purpose of facilitating local elections

Indigent Care Fund - This fund is used to account for funds dedicated for the healthcare of the indigent within Lee County.

Flood Grant - This fund is used to account for grant funds collected for flood related repairs and maintenance

Law Library Fund - This fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in the County and District Courts.

Recycling Fund - This fund is used to account for recycling expenses incurred by the County.

Court Appointed Attorney Fund - This fund is used to account for funds dedicated to and expenses incurred for court appointed attorneys.

Right of Way Fund - This fund is used to for the upkeep and expenses related to the County's right of ways.

Historical Commission Fund - Revenues received by the Historical Commission are recorded in this fund. The purpose of the fund is to preserve the heritage of the Lee County area and to promote its history.

County Clerk Records Management Fund - Fees collected by the County Clerk, as approved by the Texas Legislature, are accounted for in this fund. The requests to expend funds collected are addressed to Commissioners Court.

Hot Check Fund - This fund is used to collect and remit restitution for insufficient checks.

Sheriff's Office Seizure Fund - Funds collected in connection with gambling, drug seizures and forfeitures, for the use of the District Attorney or Sheriff are deposited into this fund.

Hospital District Fund - This fund is used to account for property tax revenue collected and expenses incurred related to the County's now defunct Hospital District. All revenue received in this fund is from past due property taxes. Funds are spent on health and welfare within the County.

Dedicated Funds - Fees collected by the County and District Clerk for various agencies are accumulated in this fund until payment is made.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (continued)

Court Appointed Seizure Fund - Funds collected in connection with gambling, drug seizures and forfeitures, for the use of the District Attorney to help offset the additional costs of the District Clerk's office are recorded in this fund.

Capital Improvements Fund - Funds dedicated to capital improvement projects are recorded in this fund.

Law Enforcement Center Fund - This fund accounts for revenues and expenditures to maintain the County's law enforcement center.

Courthouse Restoration Phase III Fund - This fund is a capital improvement fund used to account for the restoration of the County's courthouse

Gambling Seizure Fund - This fund accounts for money seized from illegal gambling to be used in for law enforcement expenses.

Hava Grant Fund - This fund accounts for revenues and expenditures related to the Hava Grant.

CARES Act Fund - This fund accounts for revenues and expenditures related to the CARES Act grants .

Fletcher Buildings Fund - This fund accounts for donated money dedicated for the repair and maintenance of the Fletcher buildings

Lee County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 2)
September 30, 2021

	Special Revenue Funds				
	Indigent Defense	Economic Development	911 Tower	Election Contract	Indigent Care
<u>Assets</u>					
Cash and cash equivalents	\$ -	\$ 225,079	\$ -	\$ 15,815	\$ 173,040
Receivables, net	-	-	-	-	-
Due from custodial fund	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	\$ -	\$ 225,079	\$ -	\$ 15,815	\$ 173,040
<u>Liabilities</u>					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 4,343	\$ 2,669
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	4,343	2,669
<u>Fund Balances</u>					
Restricted	-	225,079	-	11,472	170,371
Committed	-	-	-	-	-
Total Fund Balances	-	225,079	-	11,472	170,371
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 225,079	\$ -	\$ 15,815	\$ 173,040

See Notes to Financial Statements.

Special Revenue Funds

<u>Flood Grant</u>	<u>Law Library</u>	<u>Recycling</u>	<u>Court Appointed Attorney</u>	<u>Right of Way</u>	<u>Historical Commission</u>	<u>County Clerk Records Mgmt.</u>
\$ 14,695	\$ 16,089	\$ 31,784	\$ 230,695	\$ 31,974	\$ 13,650	\$ 129,212
-	-	-	-	-	-	-
-	260	-	2,657	-	-	-
-	200	-	-	-	-	6,193
<u>\$ 14,695</u>	<u>\$ 16,549</u>	<u>\$ 31,784</u>	<u>\$ 233,352</u>	<u>\$ 31,974</u>	<u>\$ 13,650</u>	<u>\$ 135,405</u>
\$ -	\$ -	\$ 545	\$ 150	\$ -	\$ -	\$ 12
9,377	-	-	-	-	-	-
<u>9,377</u>	<u>-</u>	<u>545</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>12</u>
5,318	16,549	-	233,202	-	-	135,393
-	-	31,239	-	31,974	13,650	-
<u>5,318</u>	<u>16,549</u>	<u>31,239</u>	<u>233,202</u>	<u>31,974</u>	<u>13,650</u>	<u>135,393</u>
<u>\$ 14,695</u>	<u>\$ 16,549</u>	<u>\$ 31,784</u>	<u>\$ 233,352</u>	<u>\$ 31,974</u>	<u>\$ 13,650</u>	<u>\$ 135,405</u>

Lee County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 2)
September 30, 2021

	Special Revenue Funds				
		Sheriff's			Court
	Hot Check	Office Seizure	Hospital District	Dedicated Funds	Appointed Seizure
Assets					
Cash and cash equivalents	\$ 63,072	\$ 9,250	\$ -	\$ 765,324	\$ 81,395
Receivables, net	-	-	-	-	-
Due from custodial fund	-	-	-	2,340	-
Due from other funds	195	-	-	9,922	-
Total Assets	\$ 63,267	\$ 9,250	\$ -	\$ 777,586	\$ 81,395
Liabilities					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 4,816	\$ 22,102
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	4,816	22,102
Fund Balances:					
Restricted	63,267	9,250	-	772,770	59,293
Committed	-	-	-	-	-
Total Fund Balances	63,267	9,250	-	772,770	59,293
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 63,267	\$ 9,250	\$ -	\$ 777,586	\$ 81,395

See Notes to Financial Statements.

Special Revenue Funds

Courthouse Restoration Phase III	Gambling Seizure	Hava Grant	CARES Act	Fletcher Buildings	Capital Improvements	Total Nonmajor Governmental
\$ 1,030,359	\$ 5,915	\$ 23,803	\$ 583,647	\$ 54,368	\$ 797,065	\$ 4,296,231
-	-	-	-	481	-	481
-	-	-	-	-	-	5,257
-	-	-	-	-	-	16,510
<u>\$ 1,030,359</u>	<u>\$ 5,915</u>	<u>\$ 23,803</u>	<u>\$ 583,647</u>	<u>\$ 54,849</u>	<u>\$ 797,065</u>	<u>\$ 4,318,479</u>
\$ 6,631	\$ -	\$ -	\$ -	\$ 753	\$ -	\$ 42,021
-	-	-	-	-	-	9,377
<u>6,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>753</u>	<u>-</u>	<u>51,398</u>
1,023,728	5,915	23,803	583,647	54,096	-	3,393,153
-	-	-	-	-	797,065	873,928
<u>1,023,728</u>	<u>5,915</u>	<u>23,803</u>	<u>583,647</u>	<u>54,096</u>	<u>797,065</u>	<u>4,267,081</u>
<u>\$ 1,030,359</u>	<u>\$ 5,915</u>	<u>\$ 23,803</u>	<u>\$ 583,647</u>	<u>\$ 54,849</u>	<u>\$ 797,065</u>	<u>\$ 4,318,479</u>

Lee County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 2)
For the Year Ended September 30, 2021

	Special Revenue Funds				
	Indigent Defense	Economic Development	911 Tower	Election Contract	Indigent Care
Revenues					
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	12,016
Investment income	-	2,413	-	-	-
Other revenue	-	94,179	-	24,759	3,341
Total Revenues	-	96,592	-	24,759	15,357
Expenditures					
Current:					
General government	-	641	-	20,159	1,554
Public safety	-	-	-	-	-
Health and welfare	-	-	-	-	211,346
Culture and recreation	-	-	-	-	-
Conservation and development	-	-	-	-	-
Total Expenditures	-	641	-	20,159	212,900
Excess (Deficiency) of Revenues Over Expenditures	-	95,951	-	4,600	(197,543)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	200,000
Transfers (out)	(44,324)	-	(13,950)	-	-
Total Other Financing Sources (Uses)	(44,324)	-	(13,950)	-	200,000
Net Change in Fund Balances	(44,324)	95,951	(13,950)	4,600	2,457
Beginning fund balances	44,324	129,128	13,950	6,872	167,914
Ending Fund Balances	\$ -	\$ 225,079	\$ -	\$ 11,472	\$ 170,371

See Notes to Financial Statements.

Special Revenue Funds

<u>Flood Grant</u>	<u>Law Library</u>	<u>Recycling</u>	<u>Court Appointed Attorney</u>	<u>Right of Way</u>	<u>Historical Commission</u>	<u>County Clerk Records Mgmt</u>
\$ -	\$ 5,500	\$ -	\$ -	\$ -	\$ 1,117	\$ 51,673
-	-	-	-	-	-	-
72	181	-	2,868	354	177	1,668
15,208	-	2,067	19,124	-	-	-
<u>15,280</u>	<u>5,681</u>	<u>2,067</u>	<u>21,992</u>	<u>354</u>	<u>1,294</u>	<u>53,341</u>
15,807	1,238	20,884	7,550	-	-	27,725
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,085	-
-	-	-	-	-	-	-
<u>15,807</u>	<u>1,238</u>	<u>20,884</u>	<u>7,550</u>	<u>-</u>	<u>1,085</u>	<u>27,725</u>
<u>(527)</u>	<u>4,443</u>	<u>(18,817)</u>	<u>14,442</u>	<u>354</u>	<u>209</u>	<u>25,616</u>
15,208	-	25,000	-	5,000	500	-
-	-	-	-	-	-	-
<u>15,208</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>5,000</u>	<u>500</u>	<u>-</u>
14,681	4,443	6,183	14,442	5,354	709	25,616
<u>(9,363)</u>	<u>12,106</u>	<u>25,056</u>	<u>218,760</u>	<u>26,620</u>	<u>12,941</u>	<u>109,777</u>
<u>\$ 5,318</u>	<u>\$ 16,549</u>	<u>\$ 31,239</u>	<u>\$ 233,202</u>	<u>\$ 31,974</u>	<u>\$ 13,650</u>	<u>\$ 135,393</u>

Lee County, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS (page 2 of 2)

For the Year Ended September 30, 2021

	Special Revenue Funds				
	Hot Check	Sheriff's Office Seizure	Hospital District	Dedicated Funds	Court Appointed Seizure
Revenues					
Charge for services	\$ 2,912	\$ -	\$ -	\$ 141,835	\$ -
Intergovernmental	-	-	-	-	-
Investment income	-	201	-	9,335	630
Other revenue	-	1,495	-	8,076	22,230
Total Revenues	2,912	1,696	-	159,246	22,860
Expenditures					
Current:					
General government	8,473	-	-	806	3,767
Public safety	-	7,803	-	84,294	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	-	-	-	-
Total Expenditures	8,473	7,803	-	85,100	3,767
Excess (Deficiency) of Revenues Over Expenditures	(5,561)	(6,107)	-	74,146	19,093
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	(25,051)	-	-
Total Other Financing Sources (Uses)	-	-	(25,051)	-	-
Net Change in Fund Balances	(5,561)	(6,107)	(25,051)	74,146	19,093
Beginning fund balances	68,828	15,357	25,051	698,624	40,200
Ending Fund Balances	\$ 63,267	\$ 9,250	\$ -	\$ 772,770	\$ 59,293

Special Revenue Funds

<u>Courthouse Restoration Phase III</u>	<u>Gambling Seizure</u>	<u>Hava Grant</u>	<u>CARES Act</u>	<u>Fletcher Buildings</u>	<u>Capital Improvements</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ 15,500	\$ -	\$ -	\$ -	\$ 218,537
-	-	-	-	-	-	12,016
13,038	-	272	3,890	713	-	35,812
-	85	-	-	17,488	-	208,052
<u>13,038</u>	<u>85</u>	<u>15,772</u>	<u>3,890</u>	<u>18,201</u>	<u>-</u>	<u>474,417</u>
-	-	8,100	3,345	22,372	-	142,421
-	876	-	-	-	-	92,973
-	-	-	-	-	-	211,346
-	-	-	-	-	-	1,085
350,772	-	-	-	-	-	350,772
<u>350,772</u>	<u>876</u>	<u>8,100</u>	<u>3,345</u>	<u>22,372</u>	<u>-</u>	<u>798,597</u>
<u>(337,734)</u>	<u>(791)</u>	<u>7,672</u>	<u>545</u>	<u>(4,171)</u>	<u>-</u>	<u>(324,180)</u>
300,000	-	-	-	10,000	25,050	580,758
-	-	-	-	-	-	(83,325)
<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>25,050</u>	<u>497,433</u>
(37,734)	(791)	7,672	545	5,829	25,050	173,253
<u>1,061,462</u>	<u>6,706</u>	<u>16,131</u>	<u>583,102</u>	<u>48,267</u>	<u>772,015</u>	<u>4,093,828</u>
<u>\$ 1,023,728</u>	<u>\$ 5,915</u>	<u>\$ 23,803</u>	<u>\$ 583,647</u>	<u>\$ 54,096</u>	<u>\$ 797,065</u>	<u>\$ 4,267,081</u>

Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2021

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 635,461	\$ 660,560	\$ 25,099
Investment income	5,000	6,545	1,545
Total Revenues	<u>640,461</u>	<u>667,105</u>	<u>26,644</u>
<u>Expenditures</u>			
Principal	605,000	605,000	-
Interest and fiscal charges	105,560	105,560	-
Total Expenditures	<u>710,560</u>	<u>710,560</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (70,099)</u>	<u>(43,455)</u>	<u>\$ 26,644</u>
Beginning fund balance		<u>166,635</u>	
Ending Fund Balance		<u>\$ 123,180</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.