

*ANNUAL FINANCIAL REPORT*

**Lee County, Texas**

Fiscal Year Ended  
September 30, 2023

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# Lee County, Texas

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## ***INDEPENDENT AUDITOR'S REPORT***

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County, Texas (the "County") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Lee County, Texas, as of September 30, 2023, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are required to be independent of Lee County, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

### *Emphasis of Matter*

As discussed in Note IV.F to the financial statements, the County restated beginning net position for governmental activities to correct prior year accounting errors related to capital assets and long-term debt. 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, road and bridge, and courthouse restoration 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.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated September 11, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

*Brooks Watson & Co.*

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
September 11, 2024



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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# Lee County, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2023

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, 2023.

#### FINANCIAL HIGHLIGHTS

- The general fund reported a decrease in fund balance of \$2,151,726 compared to a budgeted reduction of \$7,859,765, which results in a total positive budget variance of \$5,708,039.
- The County's net position increased by \$3,293,138.
- The County's total net position was \$49,885,618 at September 30, 2023.
- The County's net pension liability and other postemployment benefits liability were \$1,517,817 and \$5,436,313, respectively, at September 30, 2023.

#### 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, 2023

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-five 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 courthouse restoration 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, debt service, and courthouse restoration 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, 2023

**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 \$49,885,618 at the close of the most recent fiscal year.

**Lee County, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2023**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

|                           | <b>Governmental Activities</b> |                      |
|---------------------------|--------------------------------|----------------------|
|                           | <b>2023</b>                    | <b>2022</b>          |
| Current and other assets  | \$ 24,017,585                  | \$ 27,569,202        |
| Capital assets, net       | 36,757,079                     | 31,550,625           |
| Investment in airport     | 2,019,563                      | 2,074,683            |
| <b>Total Assets</b>       | <b>62,794,227</b>              | <b>61,194,510</b>    |
| <b>Total Deferred</b>     |                                |                      |
| <b>Outflows</b>           | 1,253,145                      | 1,153,795            |
| Current liabilities       | 2,874,108                      | 2,792,264            |
| Long-term liabilities     | 9,469,460                      | 7,927,483            |
| <b>Total Liabilities</b>  | <b>12,343,568</b>              | <b>10,719,747</b>    |
| <b>Total</b>              |                                |                      |
| <b>Deferred Inflows</b>   | 1,818,186                      | 5,036,078            |
| Net position:             |                                |                      |
| Net investment            |                                |                      |
| in capital assets         | 32,278,116                     | 26,902,249           |
| Restricted                | 8,906,675                      | 9,330,083            |
| Unrestricted              | 8,700,827                      | 10,360,148           |
| <b>Total Net Position</b> | <b>\$ 49,885,618</b>           | <b>\$ 46,592,480</b> |

The County's net position increased to \$49,885,618 from \$46,592,480. The County's unrestricted net position was \$8,700,827. The County's current and other assets decreased primarily as a result of the County using available cash to fund capital improvements. In addition, the County recognized a net pension asset in the previous year. The County recognized a net pension liability in the current year. The County's net investment in capital assets continued to increase as improvements were made to the County's infrastructure and courthouse. Total long-term liabilities increased primarily as a result of the recognition of a net pension liability and increases to the County's OPEB liability.

**Lee County, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2023**

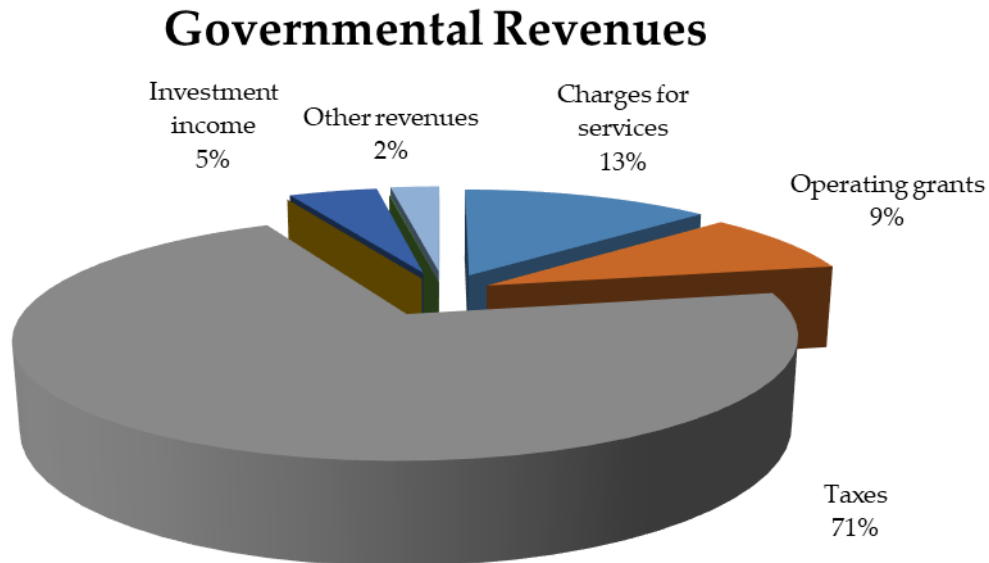
**Statement of Activities**

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

|                                | <b>Governmental Activities</b> |                      |
|--------------------------------|--------------------------------|----------------------|
|                                | <b>2023</b>                    | <b>2022</b>          |
| <b>Revenues</b>                |                                |                      |
| Program revenues:              |                                |                      |
| Charges for services           | \$ 2,663,914                   | \$ 2,203,668         |
| Operating grants               | 1,784,189                      | 2,991,243            |
| General revenues:              |                                |                      |
| Taxes                          | 14,274,680                     | 13,131,528           |
| Investment income              | 951,776                        | 257,820              |
| Rents and royalties            | 8,609                          | 10,722               |
| Other revenues                 | 525,035                        | 1,863,832            |
| Gain on sale of capital assets | 37,216                         | 122,241              |
| <b>Total Revenues</b>          | <b>20,245,419</b>              | <b>20,581,054</b>    |
| <b>Expenses</b>                |                                |                      |
| General government             | 6,507,849                      | 5,533,086            |
| Public safety                  | 5,829,157                      | 4,763,698            |
| Roads and bridges              | 3,427,715                      | 4,136,093            |
| Health and welfare             | 868,997                        | 601,347              |
| Culture and recreation         | 676                            | 3,673                |
| Conservation and development   | 210,092                        | 943,831              |
| Interest and fiscal agent fees |                                |                      |
| on long-term debt              | 107,795                        | 98,362               |
| <b>Total Expenses</b>          | <b>16,952,281</b>              | <b>16,080,090</b>    |
| <b>Change in Net Position</b>  | <b>3,293,138</b>               | <b>4,500,964</b>     |
| Beginning net position         | 46,592,480                     | 42,091,516           |
| <b>Ending Net Position</b>     | <b>\$ 49,885,618</b>           | <b>\$ 46,592,480</b> |

**Lee County, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2023

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

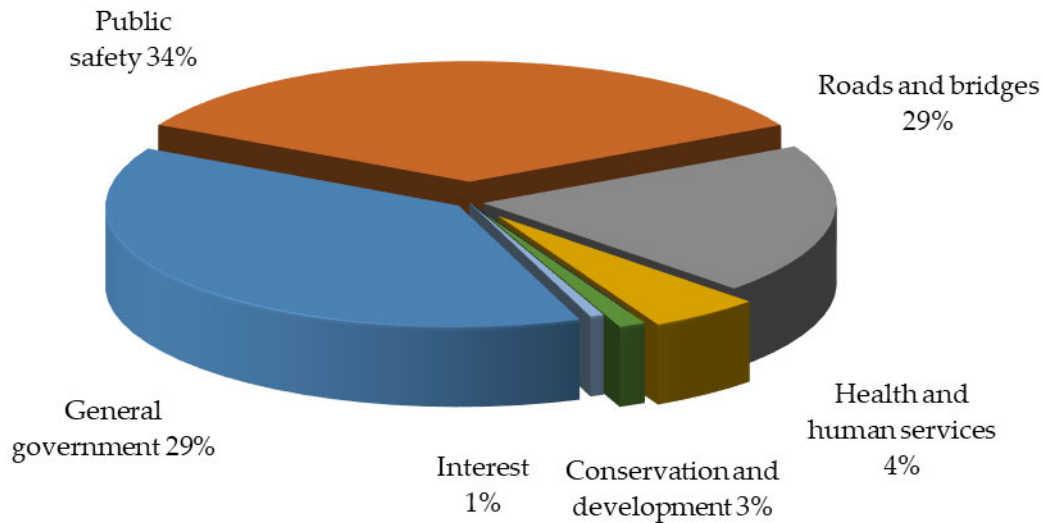


Total governmental revenues decreased by \$335,635 or 2% from the prior year. Intergovernmental revenue decreased by \$1,207,054 or 40% due to nonrecurring grants received through the Texas Historical Commission and interlocal prisoner housing revenue derived from a new interlocal agreement in the prior year. Tax revenue increased by \$1,143,152 or 9% primarily due to local economic growth and greater appraised property values. Investment income increased by \$693,956 or over 100% due to the realization of higher interest rates in the current year. Other revenues decreased by \$1,338,797 or 72% primarily due to nonrecurring airport investment gains in the prior year. The investment balance recognized a large increase in the prior year as a result of the airport receiving a nonrecurring TXDOT grant for runway infrastructure improvements. All other revenues remained relatively consistent compared to the prior year.



**Lee County, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2023

**Governmental Expenses**



Total governmental expenses increased by \$872,191 or 5% from the prior year. Public safety expenses increased by \$1,065,459 or 22% primarily due to the County hiring a new SRO officer, greater crime activity/call volume, implementation of a 5% COLA salary raise, and greater employee benefit expenses, as the County recognized a net pension liability in the current year. The County recognized a net pension asset in the prior year. General government expenses increased by \$974,763 or 18% due to salary increases and greater employee benefit expenses, as the County recognized a net pension liability in the current year. Conservation and development expenses decreased by \$733,739 or 78% primarily due to nonrecurring professional fees incurred relating to the ongoing court restoration project in the prior year. Roads and bridges decreased by \$708,378 or 17% primarily due to greater capitalizable roadway improvements in the current year. Health and welfare increased by \$267,650 or 45% due to nonrecurring general contract labor and greater EMS fees paid for ambulance services. 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.

# Lee County, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

The County's governmental funds reflect a combined fund balance of \$20,382,241. Of this, \$10,610,052 is unassigned and available for day-to-day operations of the County, \$5,528,314 is restricted for road and bridge expenditures, and \$106,534 is restricted for debt service. The County has nonspendable funds of \$126,600 that consists of prepaid items. Committed fund balance is \$738,914 and restricted fund balance for special revenue funds is \$3,271,827.

There was a decrease in the combined fund balance of \$2,799,660 over the prior year. Included in this change is an increase of \$114,597 in the road and bridge fund, an increase in the debt service fund of \$64,981, a decrease of \$111,984 in the courthouse restoration fund, a decrease in nonmajor governmental funds of \$715,528, and a decrease of \$2,151,726 in the general fund. The County's fund balance policy for the general fund must maintain at least a three-month reserve. With the previously noted decrease, the general fund balance of \$10,960,261 is estimated to be \$7,851,770 over policy.

### **General Fund Budgetary Highlights**

Actual general fund revenues were over final budgeted revenues by \$714,719 during the year. This increase is primarily attributable to sales taxes and investment income exceeding the budget projections. Actual general fund expenditures were under the final budgeted expenditures by \$1,049,160. Actual expenditures did not exceed appropriations at the legal level of control.

### **Capital Assets**

At the end of the year, the County's governmental activities funds had invested \$36,757,079 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:

- Building improvements for law enforcement center totaling \$138,000.
- Courthouse foundation repairs totaling \$4,196,125.
- County road improvements totaling \$1,395,955.
- Purchased two acres of land for \$104,926.
- Purchased new vehicles and equipment totaling \$791,582.
- Right-to-use equipment financed for \$387,345.

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 \$2,690,000. Principal payments on bonds of \$635,000 were made during the year on these outstanding bonds.

# Lee County, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

September 30, 2023

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

### **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 Auditor's 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, 2023

|  | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> |
|--|---|
| <b><u>Assets</u></b>                             |   |
| Current Assets:                                  |   |
| Cash and cash equivalents                        | \$ 21,026,878   |
| Receivables, net                                 | 2,849,515   |
| Prepaid items                                    | 126,600   |
| <b>Total Current Assets</b>                      | <b>24,002,993</b>   |
| Non-Current Assets:                              |   |
| Restricted cash                                  | 14,592  |
| Nondepreciable capital assets                    | 8,657,608   |
| Capital assets (net of accumulated depreciation) | 28,099,471  |
| Investment in airport                            | 2,019,563   |
| <b>Total Non-Current Assets</b>                  | <b>38,791,234</b>   |
| <b>Total Assets</b>                              | <b>62,794,227</b>   |
| <b><u>Deferred Outflows of Resources</u></b>     |   |
| Pension contributions                            | 507,087   |
| Pension gains on investments                     | 58,573  |
| Pension assumption changes                       | 229,859   |
| Pension investment earnings                      | 445,870   |
| Deferred charge on refunding                     | 11,756  |
| <b>Total Deferred Outflows of Resources</b>      | <b>1,253,145</b>  |

**Lee County, Texas**  
**STATEMENT OF NET POSITION (Continued)**  
September 30, 2023

|   | <b>Primary<br/>Government</b>       |
|---|-------------------------------------|
|   | <b>Governmental<br/>Activities</b>  |
| <b><u>Liabilities</u></b>                   |                                     |
| Current Liabilities:                        |                                     |
| Accounts payable and<br>accrued liabilities | \$ 1,843,365                        |
| Accrued interest payable                    | 4,972                               |
| Due to custodial fund                       | 18,471                              |
| Compensated absences, current               | 113,404                             |
| Long-term debt due within one year          | 893,896                             |
| <b>Total Current Liabilities</b>            | <b>2,874,108</b>                    |
| Non-Current Liabilities:                    |                                     |
| Net pension liability                       | 1,517,817                           |
| OPEB liability                              | 5,436,313                           |
| Compensated absences, noncurrent            | 12,600                              |
| Long-term debt due in more than one year    | 2,502,730                           |
| <b>Total Non-Current Liabilities</b>        | <b>9,469,460</b>                    |
|   | <b>Total Liabilities</b> 12,343,568 |
| <b><u>Deferred Inflows of Resources</u></b> |                                     |
| OPEB changes in assumptions                 | 1,350,095                           |
| OPEB investment experience                  | 468,091                             |
| <b>Total Deferred Inflows of Resources</b>  | <b>1,818,186</b>                    |
| <b><u>Net Position</u></b>                  |                                     |
| Net investment in capital assets            | 32,278,116                          |
| Restricted                                  | 8,906,675                           |
| Unrestricted                                | 8,700,827                           |
| <b>Total Net Position</b>                   | <b>\$ 49,885,618</b>                |

See Notes to Financial Statements.

**Lee County, Texas**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2023**

| Functions/Programs                                  | Expenses             | Program Revenues        |  |
|---|----------------------|-------------------------|--|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |
| <b>Primary Government:</b>                          |                      |                         |  |
| <b>Governmental Activities:</b>                     |                      |                         |  |
| General government                                  | \$ 6,507,849         | \$ 928,165              | \$ 1,737,126                             |
| Public safety                                       | 5,829,157            | 507,947                 | -  |
| Roads and bridges                                   | 3,427,715            | 1,227,802               | 33,657                                   |
| Health and welfare                                  | 868,997              | -                       | 13,406                                   |
| Culture and recreation                              | 676                  | -                       | -  |
| Conservation and development                        | 210,092              | -                       | -  |
| Interest and fiscal agent fees<br>on long-term debt | 107,795              | -                       | -  |
| <b>Total Governmental Activities</b>                | <u>16,952,281</u>    | <u>2,663,914</u>        | <u>1,784,189</u>                         |
| <b>Total Primary Government</b>                     | <u>\$ 16,952,281</u> | <u>\$ 2,663,914</u>     | <u>\$ 1,784,189</u>                      |

**General Revenues:**

Property taxes  
Sales taxes  
Other taxes  
Investment income  
Rents and royalties  
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**

---

\$ (3,842,558)  
(5,321,210)  
(2,166,256)  
(855,591)  
(676)  
(210,092)

(107,795)  

---

(12,504,178)  

---

(12,504,178)  

---

12,649,718  
1,607,594  
17,368  
951,776  
8,609  
525,035  
37,216  

---

15,797,316  

---

3,293,138  
  
46,592,480  

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**\$ 49,885,618**

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# Lee County, Texas

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2023

|  | General              | Road and<br>Bridge  | Debt<br>Service   |
|--|----------------------|---------------------|-------------------|
| <b><u>Assets</u></b>   |                      |                     |                   |
| Cash and cash equivalents  | \$ 11,106,362        | \$ 5,705,014        | \$ 109,928        |
| Restricted cash  | 14,592               | -                   | -                 |
| Receivables, net   | 1,695,842            | 431,686             | 61,753            |
| Due from other funds   | 3,064                | 38,837              | -                 |
| Prepaid items  | 125,212              | 1,388               | -                 |
| <b>Total Assets</b>  | <b>\$ 12,945,072</b> | <b>\$ 6,176,925</b> | <b>\$ 171,681</b> |
| <b><u>Liabilities</u></b>  |                      |                     |                   |
| Accounts payable and<br>accrued liabilities                                    | \$ 573,596           | \$ 257,481          | \$ 767            |
| Due to other governments   | 28,593               | 76                  | -                 |
| Due to custodial fund  | 18,471               | -                   | -                 |
| Due to other funds   | 42,062               | -                   | 2,627             |
| <b>Total Liabilities</b>   | <b>662,722</b>       | <b>257,557</b>      | <b>3,394</b>      |
| <b><u>Deferred Inflows of Resources</u></b>                                    |                      |                     |                   |
| Unavailable revenue - property taxes   | 679,433              | 389,666             | 61,753            |
| Unavailable revenue - fines and forfeitures                                    | 642,656              | -                   | -                 |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>1,322,089</b>     | <b>389,666</b>      | <b>61,753</b>     |
| <b><u>Fund Balances</u></b>  |                      |                     |                   |
| Nonspendable:  |                      |                     |                   |
| Prepaid items  | 125,212              | 1,388               | -                 |
| Restricted:  |                      |                     |                   |
| Debt service   | -                    | -                   | 106,534           |
| Road and bridge  | -                    | 5,528,314           | -                 |
| Special revenue funds  | -                    | -                   | -                 |
| Committed:   |                      |                     |                   |
| Capital improvements   | -                    | -                   | -                 |
| Special revenue funds  | -                    | -                   | -                 |
| Unassigned   | 10,835,049           | -                   | -                 |
| <b>Total Fund Balances</b>   | <b>10,960,261</b>    | <b>5,529,702</b>    | <b>106,534</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> | <b>\$ 12,945,072</b> | <b>\$ 6,176,925</b> | <b>\$ 171,681</b> |

See Notes to Financial Statements.

| <b>Courthouse<br/>Restoration</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------------|--|---|
| \$ 25,923                         | \$ 4,079,651                               | \$ 21,026,878                           |
| -                                 | -  | 14,592                                  |
| 650,921                           | 9,313                                      | 2,849,515                               |
| -                                 | 12,369                                     | 54,270                                  |
| -                                 | -  | 126,600                                 |
| <u>\$ 676,844</u>                 | <u>\$ 4,101,333</u>                        | <u>\$ 24,071,855</u>                    |
| <br>                              |  |   |
| \$ 901,841                        | \$ 81,011                                  | \$ 1,814,696                            |
| -                                 | -  | 28,669                                  |
| -                                 | -  | 18,471                                  |
| -                                 | 9,581                                      | 54,270                                  |
| <u>901,841</u>                    | <u>90,592</u>                              | <u>1,916,106</u>                        |
| <br>                              |  |   |
| -                                 | -  | 1,130,852                               |
| -                                 | -  | 642,656                                 |
| -                                 | -  | 1,773,508                               |
| <br>                              |  |   |
| -                                 | -  | 126,600                                 |
| -                                 | -  | 106,534                                 |
| -                                 | -  | 5,528,314                               |
| -                                 | 3,271,827                                  | 3,271,827                               |
| -                                 | 645,365                                    | 645,365                                 |
| -                                 | 93,549                                     | 93,549                                  |
| (224,997)                         | -  | 10,610,052                              |
| <u>(224,997)</u>                  | <u>4,010,741</u>                           | <u>20,382,241</u>                       |
| <br>                              |  |   |
| <u>\$ 676,844</u>                 | <u>\$ 4,101,333</u>                        | <u>\$ 24,071,855</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, 2023**

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

|   |                      |
|---|----------------------|
| Total fund balances - governmental funds  | \$ 20,382,241        |
| Long-term assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.  |                      |
| Nondepreciable capital assets   | 8,657,608            |
| Depreciable capital assets  | 52,196,468           |
| Accumulated depreciation  | (24,096,997)         |
| The investment in airport is considered a long-term investment  | 2,019,563            |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as:  |                      |
| Unavailable revenue - property taxes  | 1,130,852            |
| Unavailable revenue - fines and forfeitures   | 642,656              |
| 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   | 507,087              |
| Pension assumption changes  | 229,859              |
| Pension investment earnings   | 445,870              |
| Pension (gains) losses  | 58,573               |
| 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             |                      |
| OPEB investment experience  | (468,091)            |
| OPEB changes in assumptions   | (1,350,095)          |
| 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  | (4,972)              |
| Bonds, leases, & other liabilities  | (3,396,626)          |
| Deferred loss on advance refunding  | 11,756               |
| Net pension liability   | (1,517,817)          |
| OPEB liability  | (5,436,313)          |
| Compensated absences  | (126,004)            |
| <b>Net Position of Governmental Activities</b>  | <b>\$ 49,885,618</b> |

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, 2023

|  | General       | Road and<br>Bridge | Debt<br>Service |
|--|---------------|--------------------|-----------------|
| <b><u>Revenues</u></b>   |               |                    |                 |
| Property taxes   | \$ 8,979,985  | \$ 2,472,143       | \$ 761,836      |
| Sales taxes  | 1,509,531     | 98,063             | -               |
| Other taxes  | 17,368        | -                  | -               |
| Fines and forfeitures  | 511,782       | -                  | -               |
| Charges for services   | 698,497       | 1,227,802          | -               |
| Intergovernmental revenue  | 272,803       | 33,657             | -               |
| Investment income  | 644,352       | 187,377            | 15,285          |
| Rents and royalties  | -             | 8,609              | -               |
| Other revenue  | 195,336       | 181,827            | -               |
| <b>Total Revenues</b>  | 12,829,654    | 4,209,478          | 777,121         |
| <b><u>Expenditures</u></b>   |               |                    |                 |
| <b>Current:</b>  |               |                    |                 |
| General government   | 4,716,481     | -                  | -               |
| Public safety  | 6,322,210     | -                  | -               |
| Public works   | 369,157       | 4,278,828          | -               |
| Health and welfare   | 622,878       | -                  | -               |
| Culture and recreation   | -             | -                  | -               |
| Conservation and development   | 200,455       | -                  | -               |
| <b>Debt Service:</b>   |               |                    |                 |
| Principal  | 171,716       | 20,409             | 635,000         |
| Interest and fiscal charges  | 31,067        | 591                | 77,140          |
| <b>Total Expenditures</b>  | 12,433,964    | 4,299,828          | 712,140         |
| <b>Excess (Deficiency) of<br/>Revenues Over (Under) Expenditures</b> | 395,690       | (90,350)           | 64,981          |
| <b><u>Other Financing Sources (Uses)</u></b>                         |               |                    |                 |
| Transfers in   | -             | 179,600            | -               |
| Transfers (out)  | (2,946,630)   | -                  | -               |
| Lease issuance   | 387,345       | -                  | -               |
| Sale of capital assets   | 11,869        | 25,347             | -               |
| <b>Total Other Financing Sources (Uses)</b>                          | (2,547,416)   | 204,947            | -               |
| <b>Net Change in Fund Balances</b>                                   | (2,151,726)   | 114,597            | 64,981          |
| Beginning fund balances  | 13,111,987    | 5,415,105          | 41,553          |
| <b>Ending Fund Balances</b>  | \$ 10,960,261 | \$ 5,529,702       | \$ 106,534      |

See Notes to Financial Statements.

| <u>Courthouse<br/>Restoration</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------|--|---|
| \$ -                              | \$ -                                       | \$ 12,213,964                           |
| -                                 | -  | 1,607,594                               |
| -                                 | -  | 17,368                                  |
| -                                 | -  | 511,782                                 |
| -                                 | 229,668                                    | 2,155,967                               |
| 1,214,547                         | 263,182                                    | 1,784,189                               |
| 3,605                             | 101,157                                    | 951,776                                 |
| -                                 | -  | 8,609                                   |
| -                                 | 202,992                                    | 580,155                                 |
| <u>1,218,152</u>                  | <u>796,999</u>                             | <u>19,831,404</u>                       |
| -                                 | 1,655,425                                  | 6,371,906                               |
| -                                 | 41,610                                     | 6,363,820                               |
| -                                 | -  | 4,647,985                               |
| -                                 | 233,344                                    | 856,222                                 |
| -                                 | 676  | 676                                     |
| 3,678,638                         | -  | 3,879,093                               |
| -                                 | -  | 827,125                                 |
| -                                 | -  | 108,798                                 |
| <u>3,678,638</u>                  | <u>1,931,055</u>                           | <u>23,055,625</u>                       |
| (2,460,486)                       | (1,134,056)                                | (3,224,221)                             |
| 2,348,502                         | 418,528                                    | 2,946,630                               |
| -                                 | -  | (2,946,630)                             |
| -                                 | -  | 387,345                                 |
| -                                 | -  | 37,216                                  |
| <u>2,348,502</u>                  | <u>418,528</u>                             | <u>424,561</u>                          |
| (111,984)                         | (715,528)                                  | (2,799,660)                             |
| (113,013)                         | 4,726,269                                  | 23,181,901                              |
| <u>\$ (224,997)</u>               | <u>\$ 4,010,741</u>                        | <u>\$ 20,382,241</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, 2023**

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

|   |                |
|---|----------------|
| Net changes in fund balances - total government funds | \$ (2,799,660) |
|---|----------------|

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.

|                      |             |
|----------------------|-------------|
| Capital outlay       | 7,037,998   |
| Depreciation expense | (1,831,544) |

|                                       |          |
|---------------------------------------|----------|
| Change in investment in joint venture | (55,120) |
|---------------------------------------|----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|   |         |
|---|---------|
| Unavailable revenue - property taxes        | 435,754 |
| Unavailable revenue - fines and forfeitures | (3,835) |

Bonds and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

|                              |           |
|------------------------------|-----------|
| Principal payment            | 827,125   |
| Lease issuance               | (387,345) |
| Deferred charge on refunding | (2,938)   |

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.

|                      |          |
|----------------------|----------|
| OPEB expense         | (10,789) |
| Pension expense      | 74,156   |
| Compensated absences | 5,395    |
| Accrued interest     | 3,941    |

|  |                            |
|--|----------------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ <u>3,293,138</u></b> |
|--|----------------------------|

See Notes to Financial Statements.

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**Lee County, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**September 30, 2023**

|   | <b>County<br/>Officials</b> | <b>State Fees</b> | <b>Total</b> |
|---|-----------------------------|-------------------|--------------|
| <b><u>Assets</u></b>                        |                             |                   |              |
| Cash and cash equivalents                   | \$ 3,023,616                | \$ 72,066         | \$ 3,095,682 |
| Due from County                             | -                           | 18,471            | 18,471       |
| Due from custodial fund                     | -                           | 12,495            | 12,495       |
| <b>Total Assets</b>                         | 3,023,616                   | 103,032           | 3,126,648    |
| <b><u>Liabilities</u></b>                   |                             |                   |              |
| Accounts payable and<br>accrued liabilities | -                           | 550               | 550          |
| Due to other entities                       | 562,351                     | -                 | 562,351      |
| Due to custodial fund                       | 12,495                      | -                 | 12,495       |
| <b>Total Liabilities</b>                    | 574,846                     | 550               | 575,396      |
| <b><u>Net Position</u></b>                  |                             |                   |              |
| Restricted                                  | 2,448,770                   | 102,482           | 2,551,252    |
| <b>Total Net Position</b>                   | \$ 2,448,770                | \$ 102,482        | \$ 2,551,252 |

See Notes to Financial Statements.

**Lee County, Texas**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2023**

|                               | <b>County<br/>Officials</b> | <b>State Fees</b> | <b>Total</b>  |
|-------------------------------|-----------------------------|-------------------|---------------|
| <b><u>Additions</u></b>       |                             |                   |               |
| Additions                     | \$ 21,798,242               | \$ 684,573        | \$ 22,482,815 |
| <b>Total Additions</b>        | 21,798,242                  | 684,573           | 22,482,815    |
| <b><u>Deductions</u></b>      |                             |                   |               |
| Deductions                    | 20,318,895                  | 714,179           | 21,033,074    |
| <b>Total Deductions</b>       | \$ 20,318,895               | \$ 714,179        | \$ 21,033,074 |
| <b>Change in Net Position</b> | 1,479,347                   | (29,606)          | 1,449,741     |
| Beginning net position        | 969,423                     | 132,088           | 1,101,511     |
| <b>Ending Net Position</b>    | \$ 2,448,770                | \$ 102,482        | \$ 2,551,252  |

See Notes to Financial Statements.

# Lee County, Texas

## NOTES TO THE FINANCIAL STATEMENTS

### For the Year Ended September 30, 2023

#### 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, 2023

### 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 *Courthouse Restoration* fund is a capital improvement fund used to account for the restoration of the County's courthouse.

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, 2023

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 leases are reported as other financing sources.

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

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. Transfers of appropriations within and 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, 2023

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, 2023

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, 2023**

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, 2023

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 County 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 50 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**  
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income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

**10. Leases**

Lessee: The County is a lessee for lease of vehicles. The lease is noncancellable except in the case of nonappropriation of funds by Commissioners Court. The lease is contingent on the County's appropriation of funds. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**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

# Lee County, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

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 for the general fund and road and bridge fund and the fund level for all other funds. The budget cannot be amended without the approval of Commissioners' Court. During the current year, actual expenditures did not exceed the legal level of control for any fund with an adopted budget.

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, 2023.

### A. **Deficit Fund Balance**

As of September 30, 2023, the County recorded a deficit fund balance in the courthouse restoration fund totaling \$224,997. The deficit will be eliminated in the future with a reduction of expenditures, increased revenue, or through reimbursements from other funds.

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2023, the County had the following investments:

| <u>Investment Type</u>                 | <u>Value</u>         | <u>Weighted Average Maturity</u> |
|--|----------------------|----------------------------------|
| External investment pool (TexPool)     | \$ 5,326,363         | 28 days                          |
| External investment pool (Texas Class) | 6,263,608            | 49 days                          |
|  | <u>\$ 11,589,971</u> |                                  |
| Portfolio weighted average maturity    |                      | 39 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, 2023, 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, 2023, 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, 2023**

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:

|                   | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Debt Service</u> | <u>Courthouse<br/>Restoration</u> | <u>Nonmajor<br/>Govt.</u> | <u>Total</u>        |
|-------------------|---------------------|----------------------------|---------------------|-----------------------------------|---------------------------|---------------------|
| Taxes receivable  | \$ 939,573          | \$ 212,092                 | \$ 61,753           | \$ -                              | \$ -                      | \$ 1,213,418        |
| Fines receivable  | 6,426,558           | -                          | -                   | -                                 | -                         | 6,426,558           |
| Grant receivables |                     | 219,594                    | -                   | 650,921                           | -                         | 870,515             |
| Other receivables | 113,613             | -                          | -                   | -                                 | 9,313                     | 122,926             |
| Less: allowance   | (5,783,902)         | -                          | -                   | -                                 | -                         | (5,783,902)         |
|                   | <u>\$ 1,695,842</u> | <u>\$ 431,686</u>          | <u>\$ 61,753</u>    | <u>\$ 650,921</u>                 | <u>\$ 9,313</u>           | <u>\$ 2,849,515</u> |



**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

**C. Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2023, follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>(Decreases/<br/>Transfers)</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-----------------------------------|---------------------------|
| <b>Governmental Activities</b>             |                              |                     |                                   |                           |
| Capital assets not being depreciated:      |                              |                     |                                   |                           |
| Land                                       | \$ 1,321,043                 | \$ 104,926          | \$ -                              | \$ 1,425,969              |
| Construction in progress                   | 3,035,514                    | 4,196,125           | -                                 | 7,231,639                 |
| Total capital assets not being depreciated | <u>4,356,557</u>             | <u>4,301,051</u>    | <u>-</u>                          | <u>8,657,608</u>          |
| Other capital assets:                      |                              |                     |                                   |                           |
| Infrastructure                             | 20,724,718                   | 1,395,955           | -                                 | 22,120,673                |
| Buildings & improvements                   | 10,972,335                   | 152,065             | -                                 | 11,124,400                |
| Machinery & equipment                      | 17,391,607                   | 801,582             | (120,138)                         | 18,073,051                |
| Right-to-use assets                        | 490,999                      | 387,345             | -                                 | 878,344                   |
| Total other capital assets                 | <u>49,579,659</u>            | <u>2,736,947</u>    | <u>(120,138)</u>                  | <u>52,196,468</u>         |
| Less accumulated depreciation for:         |                              |                     |                                   |                           |
| Buildings & improvements                   | (6,275,541)                  | (442,032)           | -                                 | (6,717,573)               |
| Machinery & equipment                      | (9,706,533)                  | (738,915)           | 120,138                           | (10,325,310)              |
| Infrastructure                             | (6,403,517)                  | (519,841)           | -                                 | (6,923,358)               |
| Right-to-use assets                        | -                            | (130,756)           | -                                 | (130,756)                 |
| Total accumulated depreciation             | <u>(22,385,591)</u>          | <u>(1,831,544)</u>  | <u>120,138</u>                    | <u>(24,096,997)</u>       |
| Other capital assets, net                  | <u>27,194,068</u>            | <u>905,403</u>      | <u>-</u>                          | <u>28,099,471</u>         |
| <b>Total</b>                               | <u>\$ 31,550,625</u>         | <u>\$ 5,206,454</u> | <u>\$ -</u>                       | <u>\$ 36,757,079</u>      |

Depreciation was charged to governmental functions as follows:

|   |                     |
|---|---------------------|
| General Government  | \$ 286,547          |
| Public Safety   | 399,209             |
| Public Works  | 603,912             |
| Health and Welfare  | 13,494              |
| Conservation and development                              | 528,382             |
| <b>Total Governmental Activities Depreciation Expense</b> | <u>\$ 1,831,544</u> |

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

**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, 2023:

| <b>Balance Sheet</b>                           |                     |
|--|---------------------|
| <b>Assets</b>                                  |                     |
| Current assets                                 | \$ 265,756          |
| Fixed assets, net                              | 3,917,698           |
| <b>Total Assets</b>                            | <b>\$ 4,183,454</b> |
| <br><b>Liabilities and Retained Earnings</b>   |                     |
| Notes payable                                  | \$ 144,329          |
| <b>Total Liabilities</b>                       | <b>144,329</b>      |
| Retained earnings                              | 4,039,125           |
| <b>Total Liabilities and Retained Earnings</b> | <b>\$ 4,183,454</b> |
| <b>Lee County Investment in Airport (50%)</b>  | <b>\$ 2,019,563</b> |

| <b>Income Statement</b>                                   |                     |
|---|---------------------|
| <b><u>Operating Income</u></b>                            |                     |
| Charges for services                                      | \$ 131,016          |
| Intergovernmental revenue                                 | 9,844               |
| Other revenue   | 600                 |
| <b>Total Operating Income</b>                             | <b>141,460</b>      |
| <br><b><u>Operating Expenses</u></b>                      |                     |
| Cost of sales   | 92,439              |
| Interest expense  | 1,753               |
| Depreciation  | 163,591             |
| <b>Total Operating Expenses</b>                           | <b>257,783</b>      |
| <br><b><u>Other Income (Expense)</u></b>                  |                     |
| Interest income   | 6,083               |
| <b>Total Other Income (Expense)</b>                       | <b>6,083</b>        |
| <b><u>Net Income (Loss)</u></b>                           | <b>\$ (110,240)</b> |
| <b>Net Income (Loss) Attributable to Lee County (50%)</b> | <b>\$ (55,120)</b>  |

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 \$11,756. 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, 2023. In general, the County uses the road and bridge and debt service funds to liquidate governmental long-term liabilities.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u>                       | <u>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|---------------------|---|--------------------------------|
| <b>Governmental Activities:</b>        |                              |                   |                     |   |                                |
| 2015 General Obligation Refunding Bond | \$ 3,325,000                 | \$ -              | \$ (635,000)        | \$ 2,690,000                                    | \$ 650,000                     |
| Notes payable                          | 20,407                       | -                 | (20,407)            | -   | -                              |
| Lease liabilities                      | 490,999                      | 387,345           | (171,718)           | 706,626   | 243,896                        |
| <b>Total Governmental Activities</b>   | <u>\$ 3,836,406</u>          | <u>\$ 387,345</u> | <u>\$ (827,125)</u> | <u>\$ 3,396,626</u>                             | <u>\$ 893,896</u>              |
|  |                              |                   |                     | <u>\$ 2,502,730</u>                             |                                |
|  |                              |                   |                     | Long-term liabilities due in more than one year |                                |

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 2020, the County purchased IP base console upgrades from Motorola Solutions through a note payable for \$539,032. The note does not bear interest. Principal payments are due annually through October 2022.

In August 2020, the County purchased Anderson machinery equipment through a note payable 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. The note bears interest of 6.91%.

In September 2022, the County entered into eight vehicle lease agreements with Enterprise. All eight leases have a term of 4 years, with monthly lease payments ranging from \$1,524 to \$1,651

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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and interest is stated at 6.96%.

Long-term debt obligations of the County as of September 30, 2023, are as follows:

| Fiscal Year  | GO Refunding Bonds  |                   |                     |
|--------------|---------------------|-------------------|---------------------|
|              | Principal           | Interest          | Total               |
| 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             |
| <b>Total</b> | <b>\$ 2,690,000</b> | <b>\$ 157,760</b> | <b>\$ 2,847,760</b> |

| Fiscal Year  | Lease Liabilities |                  |                   |
|--------------|-------------------|------------------|-------------------|
|              | Principal         | Interest         | Total             |
| 2024         | \$ 243,896        | \$ 42,037        | \$ 285,933        |
| 2025         | 188,231           | 27,676           | 215,907           |
| 2026         | 202,180           | 13,727           | 215,907           |
| 2027         | 72,319            | 3,176            | 75,495            |
| <b>Total</b> | <b>\$ 706,626</b> | <b>\$ 86,616</b> | <b>\$ 793,242</b> |

**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.

|  | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance | Amount<br>Due Within<br>One Year |
|--|----------------------|-------------------|---------------------|-------------------|----------------------------------|
| <b>Governmental Activities:</b>                        |                      |                   |                     |                   |                                  |
| Compensated Absences                                   | \$ 131,399           | \$ 208,407        | \$ (213,802)        | \$ 126,004        | \$ 113,404                       |
| <b>Total Governmental Activities</b>                   | <b>\$ 131,399</b>    | <b>\$ 208,407</b> | <b>\$ (213,802)</b> | <b>\$ 126,004</b> | <b>\$ 113,404</b>                |
| <b>Long-term Liabilities Due in More than One Year</b> |                      |                   |                     | <b>\$ 12,600</b>  |                                  |

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**H. Interfund Transactions**

Operating transfers between the primary governmental funds during the 2023 year were as follows:

|                        | <b>Transfers (Out):</b> |                     |
|------------------------|-------------------------|---------------------|
| <b>Transfer In:</b>    | <b>General</b>          | <b>Total</b>        |
| Road & Bridge          | \$ 179,600              | \$ 179,600          |
| Courthouse Restoration | 2,348,502               | 2,348,502           |
| Nonmajor govt.         | 418,528                 | 418,528             |
| <b>Total</b>           | <b>\$ 2,946,630</b>     | <b>\$ 2,946,630</b> |

The composition of interfund balances as of September 30, 2023, is as follows:

|                                    | <b>Due to (Payable fund):</b> |                     |                       |                  |
|------------------------------------|-------------------------------|---------------------|-----------------------|------------------|
| <b>Due from (Receivable fund):</b> | <b>General</b>                | <b>Debt Service</b> | <b>Nonmajor Govt.</b> | <b>Total</b>     |
| General                            | \$ -                          | \$ 2,627            | \$ 437                | \$ 3,064         |
| Road and Bridge                    | 29,897                        | -                   | 8,940                 | 38,837           |
| Nonmajor govt.                     | 12,165                        | -                   | 204                   | 12,369           |
| Fiduciary                          | 18,471                        | -                   | -                     | 18,471           |
|                                    | <b>\$ 60,533</b>              | <b>\$ 2,627</b>     | <b>\$ 9,581</b>       | <b>\$ 72,741</b> |

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

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

**I. Restricted Net Position and Fund Balance**

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

|                         |                     |
|-------------------------|---------------------|
| Nonspendable for:       |                     |
| Prepaid items           | \$ 126,600          |
| Restricted for:         |                     |
| Debt service            | \$ 106,534          |
| Road and bridge         | 5,528,314           |
| *Special revenue funds  | 3,271,827           |
| <b>Total Restricted</b> | <b>\$ 8,906,675</b> |
| Committed for:          |                     |
| Capital improvements    | \$ 645,365          |
| Special revenue funds   | 93,549              |
| <b>Total Committed</b>  | <b>\$ 738,914</b>   |

\*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 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, 2023.

# Lee County, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

### 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, 2023

### 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 an annual comprehensive annual financial report (ACFR) on a calendar year basis. The ACFR 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 2023 and 10.33% for the months of the accounting year in 2022.

The Commissioners' Court adopted the rate of 5% as the contribution rate payable by the employee members for calendar year 2023. The Commissioners' Court may change the



**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

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

**Contributions (Fiscal Year)**

|                                | <b>2023</b> | <b>2022</b> | <b>2021</b> |
|--------------------------------|-------------|-------------|-------------|
| Annual Req. Contribution (ARC) | \$ 663,052  | \$ 612,348  | \$ 543,826  |
| Contributions Made             | (663,052)   | (612,348)   | (543,826)   |
| Excess / (Deficiency)          | \$ -        | \$ -        | \$ -        |

**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 2023 were determined as part of the December 31, 2022 actuarial valuation.

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

|                         | <b><u>12/31/2020</u></b> | <b><u>12/31/2021</u></b> | <b><u>12/31/2022</u></b> |
|-------------------------|--------------------------|--------------------------|--------------------------|
| 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     | 20.0 years               | 16.1 years               | 12.8 years               |
| in years                |                          |                          |                          |
| Asset Valuation Method  | 5-year Smoothed          | 5-year Smoothed          | 5-year Smoothed          |
|                         | Fund                     | Fund                     | Fund                     |
| Actuarial Assumptions:  |                          |                          |                          |
| Investment Rate of      | 7.5%                     | 7.5%                     | 7.5%                     |
| Return *                |                          |                          |                          |
| Projected Salary        | 4.60%                    | 4.70%                    | 4.70%                    |
| Increases *             |                          |                          |                          |
| * Includes Inflation at | 2.50%                    | 2.50%                    | 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, 2023

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 83         |
| Inactive employees entitled to but not yet receiving benefits    | 92         |
| Active employees   | 135        |
| Total  | <u>310</u> |

### Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50% per year  |
| Overall payroll growth    | 4.7% 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, 2022, 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 of

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

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:

| <b>Asset Class</b>                 | <b>Benchmark</b>   | <b>Target Allocation<br/>(1)</b> | <b>Geometric Real Rate of Return (Expected minus inflation) (2)</b> |
|------------------------------------|--|----------------------------------|---|
| US Equities                        | Dow Jones U.S. Total Stock Market Index                                | 11.50%                           | 4.95%   |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (5) | 25.00%                           | 7.95%   |
| Global Equities                    | MSCI World (net) Index   | 2.50%                            | 4.95%   |
| International Equities – Developed | MSCI World Ex USA (net) Index  | 5.00%                            | 4.95%   |
| International Equities – Emerging  | MSCI Emerging Markets (net) Index                                      | 6.00%                            | 4.95%   |
| Investment - Grade Bonds           | Bloomberg U.S. Aggregate Bond Index                                    | 3.00%                            | 2.40%   |
| Strategic Credit                   | FTSE High-Yield Cash-Pay Capped Index                                  | 9.00%                            | 3.39%   |
| Direct Lending                     | S&P/LSTA Leveraged Loan Index  | 16.00%                           | 6.25%   |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index (3)                   | 4.00%                            | 7.60%   |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index   | 2.00%                            | 4.15%   |
| Master Limited Partnerships (MLPs) | Alerian MLP Index  | 2.00%                            | 5.30%   |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (4)                             | 6.00%                            | 5.70%   |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index         | 6.00%                            | 2.90%   |
| Cash Equivalents                   | 90-day U.S. Treasury   | 2.00%                            | 0.20%   |

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.6%, per Cliffwater’s 2023 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, 2023**

**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:**

|  | <b>Total Pension<br/>Liability (a)</b> | <b>Plan Fiduciary<br/>Net Position (b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
|--|--|--|--|
| <b>Balance at 12/31/21</b>                         | \$ 24,114,456                          | \$ 25,530,663                              | \$ (1,416,207)   |
| Changes for the year:                              |  |  |  |
| Service cost                                       | 592,611                                | -  | 592,611  |
| Interest on total pension liability <sup>(1)</sup> | 1,831,742                              | -  | 1,831,742  |
| Effect of plan changes (2)                         | -                                      | -  | -  |
| Effect on economic/demographic<br>gains or losses  | (50,514)                               | -  | (50,514)   |
| Effect of assumptions changes or inputs            | -                                      | -  | -  |
| Refund on contributions                            | (90,197)                               | (90,197)                                   | -  |
| Benefit payments                                   | (1,142,779)                            | (1,142,779)                                | -  |
| Administrative expense                             | -                                      | (13,911)                                   | 13,911   |
| Member contributions                               | -                                      | 308,227                                    | (308,227)  |
| Net investment income                              | -                                      | (1,472,090)                                | 1,472,090  |
| Employer contributions                             | -                                      | 636,796                                    | (636,796)  |
| Other <sup>(3)</sup>                               | -                                      | (19,207)                                   | 19,207   |
| <b>Balance at 12/31/22</b>                         | <u>\$ 25,255,319</u>                   | <u>\$ 23,737,502</u>                       | <u>\$ 1,517,817</u>                                    |

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

(2) No plan changes valued.

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

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

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<br>6.60% | Current Single Rate<br>Assumption 7.60% | 1% Increase<br>8.60% |
|----------------------|---|----------------------|
| \$ 4,651,029         | \$ 1,517,817                            | \$ (1,122,983)       |

**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](http://www.tcdrs.com).

**Pension Expense and Deferred Outflows of Resources Related to Pensions**

For the year ended September 30, 2023, the County recognized pension expense of \$605,538.

At September 30, 2023, the County reported deferred outflows/inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred (Inflows)<br>of Resources |
|---|-----------------------------------|------------------------------------|
| Difference between projected and investment earnings        | \$ 445,870                        | \$ -                               |
| Differences between expected and actual economic experience | 58,573                            | -                                  |
| Differences in assumptions                                  | 229,859                           | -                                  |
| Contributions subsequent to the measurement date            | 507,087                           | -                                  |
| <b>Total</b>  | <b>\$ 1,241,389</b>               | <b>\$ -</b>                        |

The County reported \$507,087 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, 2024.

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

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

| <b>Year Ended</b>   |            |
|---------------------|------------|
| <b>December 31:</b> |            |
| 2023                | \$ 20,592  |
| 2024                | (20,249)   |
| 2025                | 63,977     |
| 2026                | 669,982    |
| 2027                | -          |
|                     | \$ 734,302 |

**Other Postemployment Benefits**

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 50 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.

**Employees covered by benefit terms**

At the September 30, 2022 valuation date (the most recent valuation performed) and a measurement date of September 30, 2023, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 39         |
| Inactive employees entitled to but not yet receiving benefits    | 0          |
| Active employees   | 85         |
| <b>Total</b>   | <b>124</b> |

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

**Schedule of Funding Progress**

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

| <b>Measurement Date</b> | <b>Fiduciary Net Position</b> | <b>Total OPEB Liability</b> | <b>Net OPEB Liability</b> | <b>Funded Ratio</b> | <b>Covered Payroll</b> | <b>Net OPEB Liability as a % of Covered Payroll</b> |
|-------------------------|-------------------------------|-----------------------------|---------------------------|---------------------|------------------------|---|
| 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%   |
| 30-Sep-22               | \$ -                          | \$ 5,113,524                | \$ 5,113,524              | 0.00%               | \$ 5,076,590           | 100.73%   |
| 30-Sep-23               | \$ -                          | \$ 5,436,313                | \$ 5,436,313              | 0.00%               | \$ 5,076,590           | 107.09%   |

**Total OPEB Liability**

The County's Postemployment Benefits Other Than Pensions Liability for the benefit plan was measured as of September 30, 2023, 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, 2022 actuarial valuation (most recent date available) was determined using the following actuarial assumptions:

|                       |  |
|-----------------------|--|
| Actuarial Cost Method | Entry Age Normal                                       |
| Discount Rate         | 4.77% (2.27% real rate of return plus 2.50% inflation) |

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RPH-2014 Total Table with Projection MP-2021.

**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, 2023.

| <b>Healthcare Trend</b>        |                                |                                |
|--------------------------------|--------------------------------|--------------------------------|
| <b>1% Decrease<br/>(3.50%)</b> | <b>Current Trend<br/>4.50%</b> | <b>1% Increase<br/>(5.50%)</b> |
| \$ 4,640,026                   | \$ 5,436,313                   | \$ 6,452,378                   |

**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

| Discount Rate          |                                |                        |
|------------------------|--------------------------------|------------------------|
| 1% Increase<br>(5.77%) | Current Discount Rate<br>4.77% | 1% Decrease<br>(3.77%) |
| \$ 4,702,633           | \$ 5,436,313                   | \$ 6,351,783           |

**Changes in the Total OPEB Liability:**

|  | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| <b>Balance at 9/30/2022</b>                          | \$ 5,113,524                    |
| Changes for the year:                                |                                 |
| Service Cost   | 219,031                         |
| Interest   | 250,855                         |
| Difference between expected and<br>actual experience | -                               |
| Changes of assumptions                               | -                               |
| Benefit payments                                     | (147,097)                       |
| Net changes  | 322,789                         |
| <b>Balance at 9/30/2023</b>                          | \$ 5,436,313                    |

**Total OPEB Expense**

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

| <b>Total OPEB Expense</b>                             | <b>Fiscal Year 2023</b> |
|---|-------------------------|
| <b>Service Cost</b>                                   | \$ 219,031              |
| Changes for the year:                                 |                         |
| Interest Cost (including interest on<br>Service Cost) | 250,855                 |
| Change in assumptions                                 | (195,102)               |
| Difference between expected and<br>actual experience  | (116,899)               |
| <b>Total OPEB Expense as of 9/30/2023</b>             | \$ 157,885              |



**Lee County, Texas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2023**

At September 30, 2023, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred (Inflows)<br/>of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ -                                      | \$ (468,091)                               |
| Changes in assumptions                            | -   | (1,350,095)                                |
| Contributions subsequent to measurement date      | -   | -  |
| <b>Total</b>                                      | <u>\$ -</u>                               | <u>\$ (1,818,186)</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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ended<br/>September 30:</b> |                       |
|-------------------------------------|-----------------------|
| 2024                                | \$ (312,001)          |
| 2025                                | (312,001)             |
| 2026                                | (344,452)             |
| 2027                                | (482,803)             |
| 2027                                | (366,929)             |
| Thereafter                          | -                     |
|                                     | <u>\$ (1,818,186)</u> |

**F. Restatement**

The County restated beginning net position due to corrections to prior year capital assets and long-term debt.

The County restated beginning net position as follows:

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Prior year ending net position, as reported  | \$ 46,307,964                      |
| Correction to capital assets                 | 15,000                             |
| Correction to long-term debt                 | 269,516                            |
| Restated beginning net position/fund balance | <u>\$ 46,592,480</u>               |

**Lee County, Texas**  
*NOTES TO THE FINANCIAL STATEMENTS*  
**For the Year Ended September 30, 2023**

**G. Subsequent Events**

There were no material subsequent events through August 5, 2024, the date the financial statements were issued.

***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, 2023

|  | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|-------------------|---|
|  | Original         | Final          |                   |   |
| <b><u>Revenues</u></b>   |                  |                |                   |   |
| Property taxes   | \$ 9,078,770     | \$ 9,078,770   | \$ 8,979,985      | \$ (98,785)   |
| Sales taxes  | 1,409,020        | 1,409,020      | 1,509,531         | 100,511   |
| Other taxes  | 30,000           | 30,000         | 17,368            | (12,632)  |
| Fines and forfeitures  | 426,000          | 426,000        | 511,782           | 85,782  |
| Charges for services   | 666,490          | 666,490        | 698,497           | 32,007  |
| Intergovernmental revenue  | 175,255          | 177,755        | 272,803           | 95,048  |
| Investment income  | 100,000          | 100,000        | 644,352           | 544,352   |
| Other revenue  | 226,900          | 226,900        | 195,336           | (31,564)  |
| <b>Total Revenues</b>  | 12,112,435       | 12,114,935     | 12,829,654        | 714,719   |
| <b><u>Expenditures</u></b>   |                  |                |                   |   |
| General government   | 5,596,080        | 5,568,013      | 4,716,481         | 851,532   |
| Public safety  | 6,260,459        | 6,342,326      | 6,322,210         | 20,116  |
| Public works   | 491,139          | 491,139        | 369,157           | 121,982   |
| Health and welfare   | 635,157          | 635,157        | 622,878           | 12,279  |
| Conservation and development   | 211,789          | 211,789        | 200,455           | 11,334  |
| Debt Service:  |                  |                |                   |   |
| Principal  | 271,000          | 190,700        | 171,716           | 18,984  |
| Interest and fiscal charges  | 15,000           | 44,000         | 31,067            | 12,933  |
| <b>Total Expenditures</b>  | 13,480,624       | 13,483,124     | 12,433,964        | 1,049,160   |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | (1,368,189)      | (1,368,189)    | 395,690           | 1,763,879   |
| <b><u>Other Financing Sources</u></b>                                |                  |                |                   |   |
| <b><u>(Uses)</u></b>   |                  |                |                   |   |
| Transfers (out)  | (6,497,076)      | (6,497,076)    | (2,946,630)       | 3,550,446   |
| Lease issuance   | -                | -              | 387,345           | 387,345   |
| Sale of capital assets   | 5,500            | 5,500          | 11,869            | 6,369   |
| <b>Total Other Financing<br/>Sources (Uses)</b>                      | (6,491,576)      | (6,491,576)    | (2,547,416)       | 3,944,160   |
| <b>Net Change in Fund Balance</b>                                    | \$ (7,859,765)   | \$ (7,859,765) | (2,151,726)       | \$ 5,708,039  |
| Beginning fund balance   |                  |                | 13,111,987        |   |
| <b>Ending Fund Balance</b>   |                  |                | \$ 10,960,261     |   |

### 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, 2023**

|  | <b>Budget</b>         | <b>Actual</b>       | <b>Variance with</b> |
|--|-----------------------|---------------------|----------------------|
|  | <b>Original &amp;</b> | <b>Amounts</b>      | <b>Final Budget</b>  |
|  | <b>Final</b>          | <b>Amounts</b>      | <b>Positive</b>      |
|  |                       |                     | <b>(Negative)</b>    |
| <b><u>Revenues</u></b>                       |                       |                     |                      |
| Property taxes                               | \$ 2,485,826          | \$ 2,472,143        | \$ (13,683)          |
| Sales taxes                                  | 88,000                | 98,063              | 10,063               |
| Charges for services                         | 730,400               | 1,227,802           | 497,402              |
| Intergovernmental revenue                    | 20,000                | 33,657              | 13,657               |
| Investment income                            | 43,200                | 187,377             | 144,177              |
| Rents and royalties                          | 7,090                 | 8,609               | 1,519                |
| Other revenue                                | 69,000                | 181,827             | 112,827              |
| <b>Total Revenues</b>                        | <b>3,443,516</b>      | <b>4,209,478</b>    | <b>765,962</b>       |
| <b><u>Expenditures</u></b>                   |                       |                     |                      |
| Public works                                 | 7,760,207             | 4,278,828           | 3,481,379            |
| <b>Debt Service:</b>                         |                       |                     |                      |
| Principal                                    | 20,410                | 20,409              | 1                    |
| Interest and fiscal charges                  | 591                   | 591                 | -                    |
| <b>Total Expenditures</b>                    | <b>7,781,208</b>      | <b>4,299,828</b>    | <b>3,481,380</b>     |
| <b>Excess (Deficiency) of Revenues Over</b>  |                       |                     |                      |
| <b>(Under) Expenditures</b>                  | (4,337,692)           | (90,350)            | 4,247,342            |
| <b><u>Other Financing Sources (Uses)</u></b> |                       |                     |                      |
| Transfers in                                 | 181,576               | 179,600             | (1,976)              |
| Transfers (out)                              | (5,000)               | -                   | 5,000                |
| Sale of capital assets                       | -                     | 25,347              | 25,347               |
| <b>Total Other Financing</b>                 |                       |                     |                      |
| <b>Sources (Uses)</b>                        | <b>176,576</b>        | <b>204,947</b>      | <b>28,371</b>        |
| <b>Net Change in Fund Balance</b>            | <b>\$ (4,161,116)</b> | <b>114,597</b>      | <b>\$ 4,275,713</b>  |
| Beginning fund balance                       |                       | 5,415,105           |                      |
| <b>Ending Fund Balance</b>                   |                       | <b>\$ 5,529,702</b> |                      |

**Notes to Required Supplementary Information**

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

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**Lee County, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COURTHOUSE RESTORATION**

For the Year Ended September 30, 2023

|  | Budgeted<br>Amounts<br><u>Original &amp; Final</u> | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--|---------------------|---|
| <b><u>Revenues</u></b>   |  |                     |   |
| Intergovernmental  | \$ -   | \$ 1,214,547        | \$ 1,214,547  |
| Investment income  | -  | 3,605               | 3,605   |
| <b>Total Revenues</b>  | <u>-</u>   | <u>1,218,152</u>    | <u>1,218,152</u>  |
| <b><u>Expenditures</u></b>   |  |                     |   |
| Conservation and development   | 6,000,000  | 3,678,638           | 2,321,362   |
| <b>Total Expenditures</b>  | <u>6,000,000</u>                                   | <u>3,678,638</u>    | <u>2,321,362</u>  |
| <b>Excess (Deficiency) of<br/>Revenues Over (Under) Expenditures</b> | <u>(6,000,000)</u>                                 | <u>(2,460,486)</u>  | <u>3,539,514</u>  |
| <b><u>Other Financing Sources</u></b>                                |  |                     |   |
| Transfers in   | 6,000,000  | 2,348,502           | (3,651,498)   |
| <b>Total Other Financing Sources</b>                                 | <u>6,000,000</u>                                   | <u>2,348,502</u>    | <u>(3,651,498)</u>                                      |
| <b>Net Change in Fund Balance</b>                                    | <u>\$ -</u>  | <u>(111,984)</u>    | <u>\$ (111,984)</u>                                     |
| Beginning fund balance   |  | <u>(113,013)</u>    |   |
| <b>Ending Fund Balance</b>   |  | <u>\$ (224,997)</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>2022</u>          | <u>2021</u>           | <u>2020</u>          |
|---|----------------------|-----------------------|----------------------|
| Total pension liability   |                      |                       |                      |
| Service cost  | \$ 592,611           | \$ 540,919            | \$ 487,456           |
| Interest  | 1,831,742            | 1,745,787             | 1,668,435            |
| Effect of plan changes  | -                    | -                     | -                    |
| <br>  |                      |                       |                      |
| Differences between expected and actual experience  | (50,514)             | 164,184               | (3,320)              |
| Changes of assumptions  | -                    | (150,355)             | 1,220,145            |
| Benefit payments, including refunds of participant contributions                          | (1,232,976)          | (1,209,925)           | (901,198)            |
| <b>Net change in total pension liability</b>  | <u>1,140,863</u>     | <u>1,090,610</u>      | <u>2,471,518</u>     |
| <b>Total pension liability - beginning</b>  | <u>\$ 24,114,456</u> | <u>\$ 23,023,846</u>  | <u>\$ 20,552,328</u> |
| <b>Total pension liability - ending (a)</b>   | <u>\$ 25,255,319</u> | <u>\$ 24,114,456</u>  | <u>\$ 23,023,846</u> |
| <b>Plan fiduciary net position</b>  |                      |                       |                      |
| Contributions - employer  | \$ 636,796           | \$ 553,397            | \$ 262,013           |
| Contributions - members   | 308,227              | 276,699               | 524,025              |
| Net investment income   | (1,472,090)          | 4,633,472             | 2,006,158            |
| Benefit payments, including refunds of participant contributions                          | (1,232,976)          | (1,209,925)           | (901,198)            |
| Administrative expenses   | (13,911)             | (13,812)              | (15,579)             |
| Other   | (19,207)             | (302)                 | (6,083)              |
| <b>Net change in plan fiduciary net position</b>  | <u>(1,793,161)</u>   | <u>4,239,529</u>      | <u>1,869,336</u>     |
| <b>Plan fiduciary net position - beginning</b>  | <u>25,530,663</u>    | <u>21,291,134</u>     | <u>19,421,798</u>    |
| <b>Plan fiduciary net position - ending (b)</b>   | <u>\$ 23,737,502</u> | <u>\$ 25,530,663</u>  | <u>\$ 21,291,134</u> |
| <b>Fund's net pension liability (asset) - ending (a) - (b)</b>                            | <u>\$ 1,517,817</u>  | <u>\$ (1,416,207)</u> | <u>\$ 1,732,712</u>  |
| <br>  |                      |                       |                      |
| <b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b> | 93.99%               | 105.87%               | 92.47%               |
| <b>Covered payroll</b>  | \$ 6164531           | \$ 5,533,990          | \$ 5,240,266         |
| <br>  |                      |                       |                      |
| <b>Fund's net position as a percentage of covered payroll</b>                             | 24.62%               | -25.59%               | 33.07%               |

**Notes to schedule:**

<sup>1</sup> 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.



1

|    | <u>2019</u>       | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|----|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 470,912           | \$ 471,183           | \$ 451,439           | \$ 448,008           | \$ 407,706           | \$ 395,772           |
|    | 1,558,688         | 1,472,011            | 1,360,346            | 1,256,711            | 1,190,768            | 1,122,324            |
|    | 90,805            | -                    | 150,235              | -                    | (50,835)             | -                    |
|    | 88,611            | (49,623)             | 73,375               | 94,226               | (137,074)            | (26,353)             |
|    | -                 | -                    | 110,280              | -                    | 171,136              | -                    |
|    | (841,290)         | (805,842)            | (768,548)            | (734,713)            | (722,264)            | (701,325)            |
|    | <u>1,367,726</u>  | <u>1,087,729</u>     | <u>1,377,127</u>     | <u>1,064,232</u>     | <u>859,437</u>       | <u>790,418</u>       |
| \$ | <u>19,184,602</u> | <u>\$ 18,096,873</u> | <u>\$ 16,719,746</u> | <u>\$ 15,655,514</u> | <u>\$ 14,796,077</u> | <u>\$ 14,005,659</u> |
| \$ | <u>20,552,328</u> | <u>\$ 19,184,602</u> | <u>\$ 18,096,873</u> | <u>\$ 16,719,746</u> | <u>\$ 15,655,514</u> | <u>\$ 14,796,077</u> |
| \$ | 445,390           | \$ 432,560           | \$ 420,940           | \$ 401,701           | \$ 218,299           | \$ 357,606           |
|    | 259,552           | 252,075              | 245,303              | 234,080              | 374,672              | 208,395              |
|    | 2,761,273         | (323,153)            | 2,213,410            | 1,049,163            | 51,611               | 926,430              |
|    | (841,290)         | (805,842)            | (768,548)            | (734,713)            | (722,264)            | (701,325)            |
|    | (14,800)          | (13,505)             | (11,487)             | (11,381)             | (10,209)             | (10,649)             |
|    | (1,962)           | (1,878)              | (1,479)              | 72,035               | 14,544               | 28,473               |
|    | <u>2,608,163</u>  | <u>(459,743)</u>     | <u>2,098,139</u>     | <u>1,010,885</u>     | <u>(73,347)</u>      | <u>808,930</u>       |
|    | <u>16,813,635</u> | <u>17,273,378</u>    | <u>15,175,239</u>    | <u>14,164,354</u>    | <u>14,237,701</u>    | <u>13,428,771</u>    |
| \$ | <u>19,421,798</u> | <u>\$ 16,813,635</u> | <u>\$ 17,273,378</u> | <u>\$ 15,175,239</u> | <u>\$ 14,164,354</u> | <u>\$ 14,237,701</u> |
| \$ | <u>1,130,530</u>  | <u>\$ 2,370,967</u>  | <u>\$ 823,495</u>    | <u>\$ 1,544,507</u>  | <u>\$ 1,491,160</u>  | <u>\$ 558,376</u>    |
|    | 94.50%            | 87.64%               | 95.45%               | 90.76%               | 90.48%               | 96.23%               |
| \$ | 5,191,039         | \$ 5,041,491         | \$ 4,906,064         | \$ 4,681,455         | \$ 4,365,978         | \$ 4,167,905         |
|    | 21.78%            | 47.03%               | 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,

|  | 2023         | 2022         | 2021         |
|--|--------------|--------------|--------------|
| Actuarially determined employer contributions                        | \$ 663,052   | \$ 612,348   | \$ 543,826   |
| Contributions in relation to the actuarially determined contribution | \$ 663,052   | \$ 612,348   | \$ 543,826   |
| Contribution (deficiency) excess                                     | \$ -         | \$ -         | \$ -         |
| Annual covered payroll   | \$ 6,575,597 | \$ 5,975,194 | \$ 5,438,262 |
| Employer contributions as a percentage of covered payroll            | 10%          | 10%          | 10%          |

<sup>1</sup> 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 | 12.8 years  |
| Asset Valuation Method        | 5 Year smoothed market  |
| Inflation                     | 2.50%   |
| Salary Increases              | Varies by age and service. 4.7% 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                     | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.       |

**Other Information:**

Notes No changes in plan provisions were reflected in the Schedule.

| <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <sup>1</sup> |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 502,705   | \$ 441,515   | \$ 377,633   | \$ 433,157   | \$ 376,901   | \$ 357,606   |              |
| \$ 502,705   | \$ 441,515   | \$ 430,291   | \$ 485,035   | \$ 396,467   | \$ 357,606   |              |
| \$ -         | \$ -         | \$ 52,658    | \$ 51,878    | \$ 19,566    | \$ -         |              |
| \$ 5,223,922 | \$ 5,145,858 | \$ 5,015,050 | \$ 5,653,086 | \$ 4,620,824 | \$ 3,155,974 |              |
| 10%          | 9%           | 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:

|   | 9/30/2023           | 9/30/2022           | 9/30/2021           | 9/30/2020           |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability  |                     |                     |                     |                     |
| Service cost  | \$ 219,031          | \$ 361,833          | \$ 361,833          | \$ 290,720          |
| Interest  | 250,855             | 185,959             | 177,135             | 253,375             |
| Differences between expected and actual experience                      | -                   | (483,972)           | -                   | (308,524)           |
| Changes of assumptions  | -                   | (2,779,773)         | -                   | 1,471,687           |
| Benefit payments, including refunds of participant contributions        | (147,097)           | (147,097)           | (146,466)           | (146,466)           |
| <b>Net change in total OPEB liability</b>                               | <b>322,789</b>      | <b>(2,863,050)</b>  | <b>392,502</b>      | <b>1,560,792</b>    |
| <b>Total OPEB liability - beginning</b>                                 | <b>\$ 5,113,524</b> | <b>\$ 7,976,574</b> | <b>\$ 7,584,072</b> | <b>\$ 6,023,280</b> |
| <b>Total OPEB liability - ending</b>                                    | <b>\$ 5,436,313</b> | <b>\$ 5,113,524</b> | <b>\$ 7,976,574</b> | <b>\$ 7,584,072</b> |
| <br>  |                     |                     |                     |                     |
| <b>Covered payroll</b>  | <b>\$ 5,076,590</b> | <b>\$ 5,076,590</b> | <b>\$ 4,569,346</b> | <b>\$ 4,569,346</b> |
| <b>County's total OPEB liability as a percentage of covered payroll</b> | <b>107%</b>         | <b>101%</b>         | <b>175%</b>         | <b>166%</b>         |

**Notes to schedule:**

<sup>1</sup> 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.

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

|    | <u>9/30/2019</u> | <u>9/30/2018</u>    | <sup>1</sup> |
|----|------------------|---------------------|--------------|
| \$ | 290,720          | \$ 278,261          |              |
|    | 231,582          | 221,489             |              |
|    | -                | -                   |              |
|    | -                | -                   |              |
|    | <u>(115,292)</u> | <u>(121,202)</u>    |              |
|    | <u>407,010</u>   | <u>378,548</u>      |              |
| \$ | <u>5,616,270</u> | <u>\$ 5,237,722</u> |              |
| \$ | <u>6,023,280</u> | <u>\$ 5,616,270</u> | <sup>2</sup> |
| \$ | 5,041,491        | \$ 4,511,731        |              |
|    | 119%             | 124%                |              |

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

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

**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)**

*American Rescue Plan* - This fund accounts for revenues and expenditures related to the American Rescue Plan grants.

*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.

*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

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

**Lee County, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (page 1 of 2)**  
**September 30, 2023**

|  | Special Revenue Funds   |                      |                   |                   |                  |
|--|-------------------------|----------------------|-------------------|-------------------|------------------|
|  | Economic<br>Development | Election<br>Contract | Indigent<br>Care  | Flood<br>Grant    | Law<br>Library   |
| <b><u>Assets</u></b>   |                         |                      |                   |                   |                  |
| Cash and cash equivalents  | \$ 247,985              | \$ 58,908            | \$ 200,972        | \$ 155,040        | \$ 33,858        |
| Receivables, net   | -                       | -                    | -                 | 599               | 455              |
| Due from other funds   | -                       | -                    | -                 | -                 | 385              |
| <b>Total Assets</b>  | <b>\$ 247,985</b>       | <b>\$ 58,908</b>     | <b>\$ 200,972</b> | <b>\$ 155,639</b> | <b>\$ 34,698</b> |
| <b><u>Liabilities</u></b>  |                         |                      |                   |                   |                  |
| Accounts payable and accrued expenses  | \$ -                    | \$ -                 | \$ 1,062          | \$ -              | \$ 334           |
| Due to other funds   | -                       | -                    | -                 | 9,377             | -                |
| <b>Total Liabilities</b>   | <b>-</b>                | <b>-</b>             | <b>1,062</b>      | <b>9,377</b>      | <b>334</b>       |
| <b><u>Fund Balances</u></b>  |                         |                      |                   |                   |                  |
| Restricted   | 247,985                 | 58,908               | 199,910           | 146,262           | 34,364           |
| Committed  | -                       | -                    | -                 | -                 | -                |
| <b>Total Fund Balances</b>   | <b>247,985</b>          | <b>58,908</b>        | <b>199,910</b>    | <b>146,262</b>    | <b>34,364</b>    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <b>\$ 247,985</b>       | <b>\$ 58,908</b>     | <b>\$ 200,972</b> | <b>\$ 155,639</b> | <b>\$ 34,698</b> |

See Notes to Financial Statements.

**Special Revenue Funds**

| <u>Recycling</u> | <u>Court<br/>Appointed<br/>Attorney</u> | <u>Right<br/>of Way</u> | <u>Historical<br/>Commission</u> | <u>County<br/>Clerk<br/>Records Mgmt.</u> |
|------------------|---|-------------------------|----------------------------------|---|
| \$ 49,867        | \$ 229,980                              | \$ 33,174               | \$ 12,072                        | \$ 88,292                                 |
| -                | 1,446                                   | -                       | -                                | -   |
| -                | 320                                     | -                       | -                                | 3,473                                     |
| <u>\$ 49,867</u> | <u>\$ 231,746</u>                       | <u>\$ 33,174</u>        | <u>\$ 12,072</u>                 | <u>\$ 91,765</u>                          |
| <br>             |   |                         |                                  |   |
| \$ 1,482         | \$ -                                    | \$ -                    | \$ 82                            | \$ 9                                      |
| -                | -                                       | -                       | -                                | -   |
| <u>1,482</u>     | <u>-</u>                                | <u>-</u>                | <u>82</u>                        | <u>9</u>                                  |
| <br>             |   |                         |                                  |   |
| -                | 231,746                                 | -                       | -                                | 91,756                                    |
| 48,385           | -                                       | 33,174                  | 11,990                           | -   |
| <u>48,385</u>    | <u>231,746</u>                          | <u>33,174</u>           | <u>11,990</u>                    | <u>91,756</u>                             |
| <br>             |   |                         |                                  |   |
| <u>\$ 49,867</u> | <u>\$ 231,746</u>                       | <u>\$ 33,174</u>        | <u>\$ 12,072</u>                 | <u>\$ 91,765</u>                          |

**Lee County, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (page 2 of 2)**  
**September 30, 2023**

|  | Special Revenue Funds |                                |                      |                    |                                |
|--|-----------------------|--------------------------------|----------------------|--------------------|--------------------------------|
|  | Hot<br>Check          | Sheriff's<br>Office<br>Seizure | Hospital<br>District | Dedicated<br>Funds | Court<br>Atty Special<br>Funds |
| <b><u>Assets</u></b>   |                       |                                |                      |                    |                                |
| Cash and cash equivalents  | \$ 49,514             | \$ 26,724                      | \$ 80                | \$ 801,466         | \$ 92,717                      |
| Receivables, net   | -                     | -                              | -                    | 3,904              | 1,620                          |
| Due from other funds   | 195                   | -                              | -                    | 7,996              | -                              |
| <b>Total Assets</b>  | <b>\$ 49,709</b>      | <b>\$ 26,724</b>               | <b>\$ 80</b>         | <b>\$ 813,366</b>  | <b>\$ 94,337</b>               |
| <b><u>Liabilities</u></b>  |                       |                                |                      |                    |                                |
| Accounts payable and accrued expenses                                      | \$ -                  | \$ 1,440                       | \$ -                 | \$ 1,645           | \$ 20,046                      |
| Due to other funds   | -                     | -                              | -                    | 204                | -                              |
| <b>Total Liabilities</b>   | <b>-</b>              | <b>1,440</b>                   | <b>-</b>             | <b>1,849</b>       | <b>20,046</b>                  |
| <b>Fund Balances:</b>  |                       |                                |                      |                    |                                |
| Restricted   | 49,709                | 25,284                         | 80                   | 811,517            | 74,291                         |
| Committed  | -                     | -                              | -                    | -                  | -                              |
| <b>Total Fund Balances</b>   | <b>49,709</b>         | <b>25,284</b>                  | <b>80</b>            | <b>811,517</b>     | <b>74,291</b>                  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 49,709</b>      | <b>\$ 26,724</b>               | <b>\$ 80</b>         | <b>\$ 813,366</b>  | <b>\$ 94,337</b>               |

See Notes to Financial Statements.

**Special Revenue Funds**

| <u>American<br/>Rescue<br/>Plan</u> | <u>Gambling<br/>Seizure</u> | <u>Hava<br/>Grant</u> | <u>Opioid<br/>Abatement</u> | <u>Fletcher<br/>Buildings</u> | <u>Capital<br/>Improvements</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|-------------------------------------|-----------------------------|-----------------------|-----------------------------|-------------------------------|---------------------------------|--|
| \$ 1,270,317                        | \$ 9,783                    | \$ 21,628             | \$ 9,561                    | \$ 42,348                     | \$ 645,365                      | \$ 4,079,651                               |
| -                                   | -                           | -                     | -                           | 1,289                         | -                               | 9,313                                      |
| -                                   | -                           | -                     | -                           | -                             | -                               | 12,369                                     |
| <u>\$ 1,270,317</u>                 | <u>\$ 9,783</u>             | <u>\$ 21,628</u>      | <u>\$ 9,561</u>             | <u>\$ 43,637</u>              | <u>\$ 645,365</u>               | <u>\$ 4,101,333</u>                        |
| <br>                                |                             |                       |                             |                               |                                 |  |
| \$ 54,176                           | \$ -                        | \$ -                  | \$ -                        | \$ 735                        | \$ -                            | \$ 81,011                                  |
| -                                   | -                           | -                     | -                           | -                             | -                               | 9,581                                      |
| <u>54,176</u>                       | <u>-</u>                    | <u>-</u>              | <u>-</u>                    | <u>735</u>                    | <u>-</u>                        | <u>90,592</u>                              |
| <br>                                |                             |                       |                             |                               |                                 |  |
| 1,216,141                           | 9,783                       | 21,628                | 9,561                       | 42,902                        | -                               | 3,271,827                                  |
| -                                   | -                           | -                     | -                           | -                             | 645,365                         | 738,914                                    |
| <u>1,216,141</u>                    | <u>9,783</u>                | <u>21,628</u>         | <u>9,561</u>                | <u>42,902</u>                 | <u>645,365</u>                  | <u>4,010,741</u>                           |
| <br>                                |                             |                       |                             |                               |                                 |  |
| \$ 1,270,317                        | \$ 9,783                    | \$ 21,628             | \$ 9,561                    | \$ 43,637                     | \$ 645,365                      | \$ 4,101,333                               |

**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, 2023**

|  | Special Revenue Funds   |                      |                  |                |                |
|--|-------------------------|----------------------|------------------|----------------|----------------|
|  | Economic<br>Development | Election<br>Contract | Indigent<br>Care | Flood<br>Grant | Law<br>Library |
| <b>Revenues</b>  |                         |                      |                  |                |                |
| Charge for services  | \$ -                    | \$ -                 | \$ -             | \$ -           | \$ 12,513      |
| Intergovernmental  | -                       | -                    | 13,406           | 149,776        | -              |
| Investment income  | 12,080                  | -                    | -                | 3,260          | 813            |
| Other revenue  | 44,228                  | 43,666               | 915              | -              | -              |
| <b>Total Revenues</b>  | 56,308                  | 43,666               | 14,321           | 153,036        | 13,326         |
| <b>Expenditures</b>  |                         |                      |                  |                |                |
| <b>Current:</b>  |                         |                      |                  |                |                |
| General government   | 19,867                  | 5,443                | 563              | 150,254        | 1,651          |
| Public safety  | -                       | -                    | -                | -              | -              |
| Health and welfare   | -                       | -                    | 233,344          | -              | -              |
| Culture and recreation                                       | -                       | -                    | -                | -              | -              |
| <b>Total Expenditures</b>                                    | 19,867                  | 5,443                | 233,907          | 150,254        | 1,651          |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | 36,441                  | 38,223               | (219,586)        | 2,782          | 11,675         |
| <b>Other Financing Sources (Uses)</b>                        |                         |                      |                  |                |                |
| Transfers in   | -                       | -                    | 220,000          | 138,028        | -              |
| <b>Total Other Financing<br/>Sources (Uses)</b>              | -                       | -                    | 220,000          | 138,028        | -              |
| <b>Net Change in Fund Balances</b>                           | 36,441                  | 38,223               | 414              | 140,810        | 11,675         |
| Beginning fund balances                                      | 211,544                 | 20,685               | 199,496          | 5,452          | 22,689         |
| <b>Ending Fund Balances</b>                                  | \$ 247,985              | \$ 58,908            | \$ 199,910       | \$ 146,262     | \$ 34,364      |

See Notes to Financial Statements.

**Special Revenue Funds**

| <u>Recycling</u> | <u>Court<br/>Appointed<br/>Attorney</u> | <u>Right<br/>of Way</u> | <u>Historical<br/>Commission</u> | <u>County<br/>Clerk Records<br/>Mgmt</u> |
|------------------|---|-------------------------|----------------------------------|--|
| \$ -             | \$ -                                    | \$ -                    | \$ -                             | \$ 47,015                                |
| -                | -                                       | -                       | -                                | -  |
| -                | 6,824                                   | 887                     | 658                              | 5,136                                    |
| 16,041           | 17,673                                  | -                       | 295                              | -  |
| <u>16,041</u>    | <u>24,497</u>                           | <u>887</u>              | <u>953</u>                       | <u>52,151</u>                            |
| 45,052           | 48,780                                  | -                       | -                                | 48,680                                   |
| -                | -                                       | -                       | -                                | -  |
| -                | -                                       | -                       | -                                | -  |
| -                | -                                       | -                       | 676                              | -  |
| <u>45,052</u>    | <u>48,780</u>                           | <u>-</u>                | <u>676</u>                       | <u>48,680</u>                            |
| <u>(29,011)</u>  | <u>(24,283)</u>                         | <u>887</u>              | <u>277</u>                       | <u>3,471</u>                             |
| 60,000           | -                                       | -                       | 500                              | -  |
| <u>60,000</u>    | <u>-</u>                                | <u>-</u>                | <u>500</u>                       | <u>-</u>                                 |
| 30,989           | (24,283)                                | 887                     | 777                              | 3,471                                    |
| 17,396           | 256,029                                 | 32,287                  | 11,213                           | 88,285                                   |
| <u>\$ 48,385</u> | <u>\$ 231,746</u>                       | <u>\$ 33,174</u>        | <u>\$ 11,990</u>                 | <u>\$ 91,756</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, 2023

|  | Special Revenue Funds |                                |                      |                    |                                |
|--|-----------------------|--------------------------------|----------------------|--------------------|--------------------------------|
|  | Hot<br>Check          | Sheriff's<br>Office<br>Seizure | Hospital<br>District | Dedicated<br>Funds | Court<br>Atty Special<br>Funds |
| <b>Revenues</b>  |                       |                                |                      |                    |                                |
| Charge for services  | \$ 627                | \$ -                           | \$ -                 | \$ 169,513         | \$ -                           |
| Intergovernmental  | -                     | -                              | -                    | -                  | -                              |
| Investment income  | -                     | 1,142                          | -                    | 21,142             | 1,895                          |
| Other revenue  | -                     | 14,060                         | -                    | 20,693             | 26,121                         |
| <b>Total Revenues</b>  | 627                   | 15,202                         | -                    | 211,348            | 28,016                         |
| <b>Expenditures</b>  |                       |                                |                      |                    |                                |
| <b>Current:</b>  |                       |                                |                      |                    |                                |
| General government   | 6,368                 | -                              | -                    | 258,402            | 14,804                         |
| Public safety  | -                     | 275                            | -                    | 41,335             | -                              |
| Health and welfare   | -                     | -                              | -                    | -                  | -                              |
| Culture and recreation                                       | -                     | -                              | -                    | -                  | -                              |
| <b>Total Expenditures</b>                                    | 6,368                 | 275                            | -                    | 299,737            | 14,804                         |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | (5,741)               | 14,927                         | -                    | (88,389)           | 13,212                         |
| <b>Other Financing Sources (Uses)</b>                        |                       |                                |                      |                    |                                |
| Transfers in   | -                     | -                              | -                    | -                  | -                              |
| <b>Total Other Financing<br/>Sources (Uses)</b>              | -                     | -                              | -                    | -                  | -                              |
| <b>Net Change in Fund Balances</b>                           | (5,741)               | 14,927                         | -                    | (88,389)           | 13,212                         |
| Beginning fund balances                                      | 55,450                | 10,357                         | 80                   | 899,906            | 61,079                         |
| <b>Ending Fund Balances</b>                                  | \$ 49,709             | \$ 25,284                      | \$ 80                | \$ 811,517         | \$ 74,291                      |



**Special Revenue Funds**

| <u>American<br/>Rescue<br/>Plan</u> | <u>Gambling<br/>Seizure</u> | <u>Hava<br/>Grant</u> | <u>Opioid<br/>Abatement</u> | <u>Fletcher<br/>Buildings</u> | <u>Capital<br/>Improvements</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|-------------------------------------|-----------------------------|-----------------------|-----------------------------|-------------------------------|---------------------------------|--|
| \$ -                                | \$ -                        | \$ -                  | \$ -                        | \$ -                          | \$ -                            | \$ 229,668                                 |
| 100,000                             | -                           | -                     | -                           | -                             | -                               | 263,182                                    |
| 44,474                              | 500                         | 1,173                 | -                           | 1,173                         | -                               | 101,157                                    |
| -                                   | 3,304                       | -                     | 9,561                       | 6,435                         | -                               | 202,992                                    |
| <u>144,474</u>                      | <u>3,804</u>                | <u>1,173</u>          | <u>9,561</u>                | <u>7,608</u>                  | <u>-</u>                        | <u>796,999</u>                             |
| 908,360                             | -                           | 2                     | -                           | 9,199                         | 138,000                         | 1,655,425                                  |
| -                                   | -                           | -                     | -                           | -                             | -                               | 41,610                                     |
| -                                   | -                           | -                     | -                           | -                             | -                               | 233,344                                    |
| -                                   | -                           | -                     | -                           | -                             | -                               | 676  |
| <u>908,360</u>                      | <u>-</u>                    | <u>2</u>              | <u>-</u>                    | <u>9,199</u>                  | <u>138,000</u>                  | <u>1,931,055</u>                           |
| <u>(763,886)</u>                    | <u>3,804</u>                | <u>1,171</u>          | <u>9,561</u>                | <u>(1,591)</u>                | <u>(138,000)</u>                | <u>(1,134,056)</u>                         |
| -                                   | -                           | -                     | -                           | -                             | -                               | 418,528                                    |
| -                                   | -                           | -                     | -                           | -                             | -                               | 418,528                                    |
| <u>(763,886)</u>                    | <u>3,804</u>                | <u>1,171</u>          | <u>9,561</u>                | <u>(1,591)</u>                | <u>(138,000)</u>                | <u>(715,528)</u>                           |
| <u>1,980,027</u>                    | <u>5,979</u>                | <u>20,457</u>         | <u>-</u>                    | <u>44,493</u>                 | <u>783,365</u>                  | <u>4,726,269</u>                           |
| <u>\$ 1,216,141</u>                 | <u>\$ 9,783</u>             | <u>\$ 21,628</u>      | <u>\$ 9,561</u>             | <u>\$ 42,902</u>              | <u>\$ 645,365</u>               | <u>\$ 4,010,741</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, 2023

|                                   | <u>Budgeted<br/>Amounts<br/>Original &amp; Final</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|--|---------------------------|---|
| <b><u>Revenues</u></b>            |  |                           |   |
| Taxes                             | \$ 760,387   | \$ 761,836                | \$ 1,449  |
| Investment income                 | 4,500  | 15,285                    | 10,785  |
| <b>Total Revenues</b>             | <u>764,887</u>                                       | <u>777,121</u>            | <u>12,234</u>   |
| <b><u>Expenditures</u></b>        |  |                           |   |
| Principal                         | 635,000  | 635,000                   | -   |
| Interest and fiscal charges       | 77,140   | 77,140                    | -   |
| <b>Total Expenditures</b>         | <u>712,140</u>                                       | <u>712,140</u>            | <u>-</u>  |
| <b>Net Change in Fund Balance</b> | <u>\$ 52,747</u>                                     | 64,981                    | <u>\$ 12,234</u>  |
| Beginning fund balance            |  | <u>41,553</u>             |   |
| <b>Ending Fund Balance</b>        |  | <u>\$ 106,534</u>         |   |

**Notes to Supplementary Information**

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