

*BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION*

**COUNTY OF MENARD,  
TEXAS**

*Menard, Texas*

For the Year Ended  
September 30, 2020

MENARD COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

MENARD COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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# NEFFENDORF & BLOCKER, P.C.

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## Independent Auditor's Report

Honorable Judge and County Commissioners  
County of Menard  
Menard, TX 76859

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Menard, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

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

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas, as of September 30, 2020, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8), budgetary comparison information (pages 38 through 39) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 40 through 44) 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menard's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2021, on our consideration of County of Menard'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Menard's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Menard's internal control over financial reporting and compliance.

*Neffendorf + Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas

July 9, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Menard County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2019. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,807,088 (net position). Of this amount, \$553,236 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position increased by \$1,336,341 as a result of this year's operations.
- At September 30, 2020, the County's governmental funds reported combined ending fund balances of \$384,732, a decrease of \$149,875 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12-13 & 15-16) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (General Fund and Road and Bridge Fund) pages 38-39, the Schedule of Changes in Net Pension Liability and Related Ratios, page 40, the Schedule of Employer Contributions, page 42 and the Notes to the Schedule of Contributions, page 44 are presented as required supplementary information

The combining statements (starting on page 45) for nonmajor funds contain even more information about the County's individual funds.

## **Reporting the County as a Whole**

### *The Statement of Net Position and the Statement of Activities*

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider other factors as well, such as changes in the County's customers or its property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County has one kind of activity:

➤ Governmental activity - Most of the County's basic services are reported here, including public safety, roads and bridges, health and human services, culture and recreation, county courts and general administration. Property taxes, user charges, sales tax and grants finance most of these activities.

## **Reporting the County's Most Significant Funds**

### *Fund Financial Statements*

The fund financial statements on pages 12-13 & 15-16 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$5,470,747 to \$6,807,088. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$553,236 at September 30, 2020. This increase in governmental net position was the result of several factors. First, the County's expenditures exceeded the revenues by \$149,875. Second, the County paid principal on long-term debt in the amount of \$158,735. Third, the County recorded depreciation in the amounts of \$313,468. Fourth, the County acquired capital assets in the amount of \$1,659,045.

**Table I**  
**Menard County, Texas**

**NET POSITION**  
in thousands

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 1,194	\$ 1,074
Capital Assets	6,749	5,403
Net Pension Asset	139	0
Total Assets	<u>\$ 7,943</u>	<u>\$ 6,477</u>
Deferred Outflow of Resources		
Deferred Outflow Related to Pension	\$ 171	\$ 396
Deferred Charge on Refunding	2	3
Total Deferred Outflows of Resources	<u>\$ 173</u>	<u>\$ 399</u>
Long-Term Liabilities	\$ 524	\$ 849
Other Liabilities	741	468
Total Liabilities	<u>\$ 1,265</u>	<u>\$ 1,317</u>
Deferred Inflows of Resources		
Deferred Inflow Related to Pension	\$ 181	\$ 88
Net Position:		
Net Investment in		
Capital Assets	\$ 6,065	\$ 4,611
Restricted	189	381
Unrestricted	553	479
Total Net Position	<u>\$ 6,807</u>	<u>\$ 5,471</u>



**Table II**  
**Menard County, Texas**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2020	2019
Revenues:		
Charges for Services	\$ 1,385	\$ 1,361
Property Taxes	1,697	1,593
Sales Tax	207	65
Contributions/Grants	4	8
Investment Earnings	7	7
Miscellaneous	66	61
Grants & Contributions - Operating	278	412
Grants & Contributions - Capital	1,127	166
Total Revenue	\$ 4,771	\$ 3,673
Expenses:		
General Administration	\$ 823	\$ 226
Financial Administration	77	109
Tax Administration	58	146
Facilities Management	67	47
Law Enforcement	731	769
Corrections	252	274
Emergency Management Services	34	64
Roads and Bridges	325	342
Sanitation	22	36
Administration of Justice	452	820
Juvenile Services	90	93
Health and Human Services	172	220
Recreation	20	11
Parks	97	65
Museums	2	2
Libraries	41	33
Conservation and Development	89	107
Bond and Other Interest	25	24
Capital Outlay	58	3
Total Expenses	\$ 3,435	\$ 3,391
Increase (Decrease) in Net Position	\$ 1,336	\$ 282
Net Position, Beginning	5,471	5,189
Net Position, Ending	\$ 6,807	\$ 5,471

The cost of all governmental activities this year was \$3,435,563. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$1,667,327 because the other costs were paid by sales tax (\$206,668), operating and capital grants (\$1,405,434), user charges (\$1,385,356) and other miscellaneous (\$107,119).

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$384,732, which is less than last year's total of \$534,607. Included in this year's total change in fund balance is an increase of \$42,282 in the County's General Fund. The primary reason for the General Fund's decrease is due to revenues exceeded expenditures.

The Commissioners' Court adopted the General and Road and Bridge Fund Budgets. The County amended the original budget; actual revenues were more than budgeted amounts in the General Fund and more than budgeted amounts in the Road and Bridge Fund. Actual expenditures were more than the budgeted amounts in the General Fund and more than budgeted amounts in the Road and Bridge Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2020, the County had \$6,749,164 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements.

### CAPITAL ASSETS

in thousands

	Governmental Activities	
	2020	2019
Land	\$ 106	\$ 106
Buildings	5,297	5,297
Improvements	2,023	2,014
Machinery & Equipment	2,756	2,630
Construction in Progress	1,711	187
Total Capital Assets	\$ 11,893	\$ 10,234
Less: Accumulated Depreciation	5,144	4,831
Capital Assets, Net	\$ 6,749	\$ 5,403

More detailed information about the County's capital assets is presented in Note 3.E. to the financial statements.

## DEBT

At September 30, 2020, the County had the following outstanding debt:

### OUTSTANDING DEBT

in thousands

	Governmental Activities	
	2020	2019
Bonds Payable	\$ 605	\$ 735
Notes Payable	-	-
Capital Leases Payable	79	60
Total Outstanding Debt	\$ 684	\$ 795

At year-end, the County had \$605,000 in tax notes outstanding and \$79,079 in capital lease payable. During the year, the County paid \$158,735 in principal on the outstanding long-term debt.

More detailed information about the County's long-term liabilities is presented in Note 3.F., 3.G., 3.H. and 3.I. to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. The major factors are the economy and assessed property valuation. These indicators were taken into account when adopting the budget for 2021. Amounts available for appropriation in the budget are \$3,696,070 and expenditures are estimated to be \$3,696,070.

If these estimates are realized, the County's budgetary fund balances are expected to remain the same by the close of 2021.

#### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's office, at Menard County, Texas, Menard, Texas.

## BASIC FINANCIAL STATEMENTS

MENARD COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 310,664
Accounts Receivable Net	311,898
Due from Other Governments	571,128
Capital Assets:	
Land Purchase and Improvements	106,000
Buildings, Net	3,148,354
Improvements other than Buildings, Net	1,481,860
Furniture and Equipment, Net	302,059
Construction in Progress	1,710,891
Net Pension Asset	138,927
Total Assets	8,081,781
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge for Refunding	2,030
Deferred Outflow Related to Pension Plan	169,116
Total Deferred Outflows of Resources	171,146
<b>LIABILITIES</b>	
Accounts Payable	497,550
Intergovernmental Payable	80,718
Accrued Interest Payable	2,231
Bonds Payable - Current	130,000
Capital Leases Payable - Current	30,226
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	475,000
Capital Leases Payable - Noncurrent	48,853
Total Liabilities	1,264,578
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	181,261
Total Deferred Inflows of Resources	181,261
<b>NET POSITION</b>	
Net Investment in Capital Assets	6,064,479
Restricted for:	
Restricted for Special Revenue	185,646
Restricted for Debt Service	3,727
Unrestricted	553,236
Total Net Position	\$ 6,807,088

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

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ 1,113,841	\$ 431,939
-	(76,478)
-	(58,476)
-	(61,823)
13,618	(644,575)
-	692,900
-	(18,105)
-	(88,626)
-	(22,337)
-	(416,991)
-	(27,716)
-	(124,919)
-	(19,905)
-	5,669
-	(1,975)
-	(41,364)
-	(88,942)
-	(24,964)
-	(58,085)
<u>\$ 1,127,459</u>	<u>(644,773)</u>

1,550,615
116,712
206,668
497
28,682
4,820
66,028
7,092
<u>1,981,114</u>
1,336,341
5,470,747
<u>\$ 6,807,088</u>

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 3,290	\$ 176,625	\$ 310,664
8,104	1,475	117,246
(243)	(44)	(3,517)
437	1,968	81,208
-	1,226	571,128
-	-	78,306
<u>\$ 11,588</u>	<u>\$ 181,250</u>	<u>\$ 1,155,035</u>
\$ -	\$ 2,757	\$ 497,550
-	-	80,718
-	-	78,306
-	2,757	656,574
7,861	1,431	113,729
<u>7,861</u>	<u>1,431</u>	<u>113,729</u>
3,727	-	3,727
-	177,062	185,646
-	-	195,359
<u>3,727</u>	<u>177,062</u>	<u>384,732</u>
<u>\$ 11,588</u>	<u>\$ 181,250</u>	<u>\$ 1,155,035</u>

MENARD COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$	384,732
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,608,717
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		1,817,780
The items reported as a result of this implementation included a net pension asset of \$138,927, a Deferred Resource Inflow of \$181,261 and a Deferred Resource Outflow of \$169,116. The net effect of these was to increase the ending net position by \$126,782.		126,782
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(313,468)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of capital leases as an increase in capital leases payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		182,545
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>6,807,088</b>

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



Debt Service Fund	Other Funds	Total Governmental Funds
\$ 129,909	\$ 19,937	\$ 1,657,780
-	-	206,668
-	-	497
-	266	28,682
-	-	5,130
-	14,895	1,408,184
-	17,457	425,711
-	8,230	954,517
-	-	7,092
-	-	900
-	2,070	2,070
-	21,894	62,503
<u>129,909</u>	<u>84,749</u>	<u>4,759,734</u>
-	898	749,374
-	-	71,180
-	-	53,745
-	-	61,267
-	8,439	744,060
-	-	238,940
-	-	31,705
-	1,055	295,102
-	-	20,360
-	9,064	413,933
-	-	83,527
-	6,952	155,209
-	-	18,155
-	-	88,410
-	-	1,800
-	-	37,991
-	-	81,777
130,000	-	158,735
19,468	-	24,529
-	-	1,627,576
<u>149,468</u>	<u>26,408</u>	<u>4,957,375</u>
<u>(19,559)</u>	<u>58,341</u>	<u>(197,641)</u>
-	-	56
-	-	47,710
20,000	16,020	376,686
-	(34,000)	(376,686)
<u>20,000</u>	<u>(17,980)</u>	<u>47,766</u>
441	40,361	(149,875)
<u>3,286</u>	<u>136,701</u>	<u>534,607</u>
<u>\$ 3,727</u>	<u>\$ 177,062</u>	<u>\$ 384,732</u>

MENARD COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(149,875)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase the change in net position.		1,817,780
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$272,324 and total debits to expenses were \$254,389. The net effect on the change in net position on Exhibit B-1 is an increase of \$17,935.		17,935
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(313,468)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of capital lease proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(36,031)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,336,341</u>

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

MENARD COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2020

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,478	\$ 178,237
Accounts Receivable Net	20	-
Total Assets	2,498	\$ 178,237
<b>LIABILITIES</b>		
Due to Others	-	\$ 178,237
Total Liabilities	-	\$ 178,237
<b>NET POSITION</b>		
Restricted for Private Purposes	2,498	
Total Net Position	\$ 2,498	

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

MENARD COUNTY, TEXAS  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Other Revenue	\$ 60
Total Additions	<u>60</u>
Net Change in Fiduciary Net Position	60
Total Net Position - October 1 (Beginning)	<u>2,438</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 2,498</u></u>

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

MENARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Menard County have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The *Governmental Accounting Standards Board (GASB)* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

**Fiduciary Funds (Not included in government-wide statements)**

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes one private purpose trust fund.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor. The major funds are as follows:

<b>Major Fund</b>	<b>Brief Description</b>
<u>General Fund</u>	See above for description.
<u>Special Revenue Fund:</u>	
Road & Bridge Fund	Accounts for all road and bridge construction and maintenance activity.
<u>Capital Projects Fund</u>	Accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
<u>Debt Service Fund</u>	Accounts for the collection of taxes to pay principal and interest on bonds.

**Nonmajor funds** consist of special revenue funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

## **Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency and private purpose trust funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

## **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

## **1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

### **Cash and Cash Investments**

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance, and special revenues based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Special Revenue Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable October 1, and are delinquent February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

### **Capital Assets**

#### Government-wide Statements

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements.

The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

#### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received,



are reported as debt service expenditures.

### **Compensated Absences**

Vacation and Sick Leave - Vacation and sick leave expenses are charged to operations when taken by the employees of the County. Accordingly, no accruals are reflected in the accounts for unpaid amounts of vacation and sick leave earned by employees. After one year of service an employee is entitled to two weeks of vacation. If the employee does not take the vacation within the year, they will lose the benefit. If an employee is terminated for any reason they will be entitled to payment for the vacation they have earned. The liabilities for accumulated vacation and sick leave at September 30, 2020 are estimated to be insignificant and are not reflected in the accompanying financial statements.

### **Equity Classifications**

#### Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### Fund Statements

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. Commissioners' Court). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commissioners' Court establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners' Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

## Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## 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 and 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.

## Deferred Inflows of Resources and Deferred Outflows of Resources

Beginning with fiscal year end September 30, 2013, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63, amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amounts previously reported as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

## Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

## 1.E. REVENUES, EXPENDITURES AND EXPENSES

### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

### Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual

regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

## BUDGETARY INFORMATION

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Treasurer and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues. Commissioners Court may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total of the budget. Formal budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects operations. Budgets for these funds are prepared on a cash basis. Unused appropriations lapse at the end of each year.

### NOTE 3 - DETAILED NOTES ON ALL FUNDS

#### 3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2020 the carrying amount of the County's deposits was \$310,464 and the bank balance was \$78,776. The County's cash deposits held at First State Bank and Menard National Bank at September 30, 2020 and during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

#### Policies Governing Deposits and Investments

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

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

For the year ended September 30, 2020 the County complied, in all material respects, with the requirements of the Public Funds Investment Act and with local policies.

### 3.B. RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Road and Bridge	Capital Projects	Debt Service	Other Governmental Funds	TOTAL
Receivables:						
Property Taxes	\$ 107,667	\$ -	\$ -	\$ 8,104	\$ 1,475	\$ 117,246
Other	66,933	11,870	-	437	1,968	81,208
Intergovernmental	<u>182,185</u>	<u>21,761</u>	<u>365,956</u>	<u>-</u>	<u>1,226</u>	<u>571,128</u>
Gross Receivables	\$ 356,785	\$ 33,631	\$ 365,956	\$ 8,541	\$ 4,669	\$ 769,582
Less: Allowance for Uncollectibles	<u>3,230</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>44</u>	<u>3,517</u>
Net Total Receivables	<u>\$ 353,555</u>	<u>\$ 33,631</u>	<u>\$ 365,956</u>	<u>\$ 8,298</u>	<u>\$ 4,625</u>	<u>\$ 766,065</u>

Governmental funds report *Deferred Inflows of Resources- Unavailable Revenue* in connections with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report *Unearned Revenue* or defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *Unavailable and Unearned Revenues* reported in the governmental funds were as follows:

General Fund -	
Unavailable Revenue - Property Taxes	\$ 104,437
Debt Service Fund -	
Unavailable Revenue - Property Taxes	7,861
Other Governmental Funds -	
Unavailable Revenue - Property Taxes	<u>1,431</u>
TOTAL UNAVAILABLE AND UNEARNED REVENUES	<u>\$ 113,729</u>

### 3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$467,842 which represents amounts owed and outstanding for several years. Based on historical collection rates for the various courts, the County has estimated an allowance for uncollectible court fines and fees of \$350,882, resulting in a net receivable of \$116,961.

3.D. PROPERTY TAXES

The County contracted with the Menard County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2019 tax roll, the total assessed valuation for Menard County was \$214,741,030 and the taxes assessed amounted to \$1,640,364. The total tax rate was \$.76199 per \$100 valuation and allocated \$.70540 to the General and \$.05659 to the Debt Service Fund. In addition, for the 2019 tax roll, the total assessed valuation for Menard County FCLR was \$212,999,230 and the taxes assessed amounted to \$19,943. The total tax rate was \$.00934. The maximum levy allowed by the State law for the above purposes is \$0.80 per \$100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

3.E. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2020.

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 106,000	\$ -	\$ -	\$ 106,000
Buildings	5,296,337	-	-	5,296,337
Improvements	2,013,531	9,870	-	2,023,401
Machinery & Equipment	2,629,650	126,936	-	2,756,586
Construction Work in Progress	188,652	1,522,239	-	1,710,891
Totals at Historic Cost	\$ 10,234,170	\$ 1,659,045	\$ -	\$ 11,893,215
Less Accumulated Depreciation for:				
Buildings	2,028,227	119,756	-	2,147,983
Improvements	475,166	66,375	-	541,541
Machinery & Equipment	2,327,190	127,337	-	2,454,527
Total Accumulated Depreciation	\$ 4,830,583	\$ 313,468	\$ -	\$ 5,144,051
Governmental Activities Capital Assets, Net	\$ 5,403,587	\$ 1,345,577	\$ -	\$ 6,749,164

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

Governmental Activities:	
Financial Administration	\$ 6,906
General Administration	74,701
Tax Administration	5,220
Emergency Management	3,079
Law Enforcement	72,080
Parks	8,102
Corrections	24,737
Roads & Bridges	31,726
Sanitation	1,977
Justice System	40,191
Juvenile Services	8,112
Health & Human Services	17,317
Recreation	1,750
Conservation & Development	7,927
Museums	175
Facilities Management	5,780
Libraries	3,688
Total Depreciation Expense- Governmental Activities	\$ 313,468

3.F. LONG-TERM LIABILITIES

**Governmental Activities**

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2020.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Limited Tax Refunding Bonds-					
Series 2013	\$ 420,000	\$ -	\$ 120,000	\$ 300,000	\$ 120,000
Limited Tax Note-					
Series 2018	315,000		10,000	305,000	10,000
Capital Leases-					
American National Leasing	60,104	47,710	28,735	79,079	30,226
TOTAL	<u>\$ 795,104</u>	<u>\$ 47,710</u>	<u>\$ 158,735</u>	<u>\$ 684,079</u>	<u>\$ 160,226</u>

3.G. TAX REFUNDING BONDS AND LIMITED TAX NOTES

Tax Refunding Bonds and Limited Tax Notes payable at September 30, 2020 consists of the following:

\$1,125,000 Limited Tax Refunding Bonds, Series 2013 due in annual installments of \$90,000 to \$115,000 through February 15, 2023; interest rate at 2.411%.	\$ 300,000
\$325,000 Limited Tax Note, Series 2018 due in annual installments of \$10,000 to \$115,000 through February 15, 2025, interest rate at 3.48%.	<u>305,000</u>
Total Limited Tax Refunding Bonds and Limited Tax Notes	<u><u>\$ 605,000</u></u>

The annual requirements for principal and interest on the outstanding certificates of obligation are as follows:

Year Ended <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	130,000	16,226	146,226
2022	125,000	12,912	137,912
2023	125,000	9,524	134,524
2024	110,000	5,916	115,916
2025	115,000	2,001	117,001
Totals	<u>\$ 605,000</u>	<u>\$ 46,579</u>	<u>\$ 651,579</u>

3.H. LONG-TERM DEBT ADVANCE REFUNDING

During 2013, the County advance refunded the Series 2005, Series 2007 and Series 2009 Tax Notes and Refunding Bonds by issuing \$1,125,000 limited tax refunding bonds – Series 2013. The tax notes and refunding bonds were called and were redeemed by depositing \$1,083,078 into an escrow account on September 16, 2013. The tax notes and refunding bonds have been defeased and removed as a liability of the County. The refunding bonds resulted in a gross debt service savings of \$3,056 and the net present value savings of \$39,490. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

<u>Description</u>	<u>Refunded Amount</u>
Tax Notes and Refunding Bonds-	
Series 2005	\$ 30,000
Series 2007	85,000
TOTAL	<u><u>\$ 115,000</u></u>

3.I. OTHER LONG-TERM DEBT

Lease purchase agreements and loans payable at September 30, 2020 consists of the following:

\$70,104 original lease purchase agreement with American National Leasing Company to purchase a 2019 Chevrolet Tahoe, due in yearly installments of \$18,993 until 3/01/2022, interest at 4.49%, with a residual purchase option of \$9,000	44,024
\$47,710 original lease purchase agreement with American National Leasing Company to purchase a 2019 Ford Explorer, due in yearly installments of \$14,803 under 6/24/2022, interest at 4.49%, with a residual purchase option of \$8,000	35,055
	<hr/>
TOTAL LEASE PURCHASE AGREEMENTS	<u>\$ 79,079</u>

A summary of the future minimum lease payments under the agreements along with the present value of the minimum debt payments as of September 30, 2020 follows:

Year Ended September 30	
2021	33,796
2022	50,796
Total Minimum Debt Payments	\$ 84,592
Less Amount Representing Interest	5,513
Present Value of Debt Payments	<u>\$ 79,079</u>

3.J. INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2020, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 342,686
Road and Bridge Fund	262,360	-
Capital Projects Fund	78,306	-
Debt Service Fund	20,000	-
Nonmajor Special Revenue Funds	16,020	34,000
	<u>\$ 376,686</u>	<u>\$ 376,686</u>

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

**Plan Description**

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Menard County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
  - 2) The plan provides retirement, disability and survivor benefits.

- 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 165%) and is then converted to an annuity.
  - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
  - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Menard County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%.
  - d. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

*Members covered by benefit terms.*

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

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>53</u>
	118

**Contributions**

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and cost based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

The contribution rate payable by the employee members for calendar year 2019 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2020 were \$115,579, and were more than the required contributions.



## Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2019, 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 December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for Menard County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2014 Mortality Tables

*(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and

information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (Net) Index	2.50%	5.50%
International Equities – Developed Markets	MSCI World Ex USA (Net) Index	7.00%	5.20%
International Equities – Emerging Markets	MSCI Emerging Markets (Net) Index	7.00%	5.70%
Investment – Grade Bonds	Bloomberg Barclays US Aggregate Bond Index	3.00%	- 0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index(4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting

(2) Geometric real rates of return in addition to assumed inflation of 1.80% per Cliffwater's 2020 capital market

assumptions.

<sup>(3)</sup> Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005- present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

## Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes 8.00%, increased by .10% to be gross of administrative expenses. 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 pensions 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 Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2018	\$ 4,633,724	\$ 4,434,165	\$ 199,559
Changes for the Year:			
Service Cost	146,602		146,602
Interest on Total Pension Liability <sup>(1)</sup>	378,771		378,771
Effect of Plan Changes <sup>(2)</sup>	-		-
Effects of Economic/Demographic			
Gains or Losses	62,320		62,320
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	(15,729)	(15,729)	-
Benefit Payments	(196,693)	(196,693)	-
Administrative Expenses		(3,923)	3,923
Member Contributions		89,586	(89,586)
Net Investment Income		728,189	(728,189)
Employer Contributions		111,982	(111,982)
Other <sup>(3)</sup>	-	345	(345)
Balances as of December 31, 2019	\$ 5,008,995	\$ 5,147,922	\$ (138,927)

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TC'DRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

## Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 5,561,969	\$ 5,008,995	\$ 4,537,144
Fiduciary Net Position	5,147,923	5,147,923	5,147,923
Net Pension Liability/(Asset)	\$ 414,046	\$ (138,927)	\$ (610,779)

## Pension Expense / (Income)

Prepaid Expense/(Income)	January 1, 2019 to December 31, 2019
Service Cost	\$ 146,602
Interest on Total Pension Liability <sup>(1)</sup>	378,771
Effect of Plan Changes	-
Administrative Expenses	3,923
Member Contributions	(89,586)
Expected Investment Return Net of Investment Expenses	(358,594)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(5,956)
Recognition of Assumption Changes or Inputs	10,335
Recognition of Investment Gains or Losses	29,313
Other <sup>(2)</sup>	(346)
Pension Expense/(Income)	\$ 114,462

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

<sup>(2)</sup> Relates to allocation of system-wide items.

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 58,597	\$ 46,740
Changes of assumptions	-	20,669
Net difference between projected and actual earnings	122,664	-
Contributions made subsequent to measurement date	N/A	101,707

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

### Year Ended December 31

2020	\$ (33,352)
2021	(38,822)
2022	32,241
2023	(73,919)
2024	-
Thereafter <sup>(3)</sup>	-

<sup>(3)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

#### 4.B. RISK MANAGEMENT

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers compensation. The county carries commercial insurance through the Texas Association of Counties for workers compensation and for other coverages in order to manage the above listed risks.

#### 4.C. HEALTH INSURANCE

All regular full-time employees of the County are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the County. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

#### 4.D. CONTINGENT LIABILITIES

Amounts received or receivable from grantor 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 agency cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

#### 4.E. DEFERRED COMPENSATION PLAN

The County offers all its employees a deferred compensation program through Nationwide Retirement Solutions, Inc. The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The County does not contribute to this plan. All contributions are made by the employees who elect to participate in the plan. The County remits employee contributions to the plan trustee on a regular basis. The County does not administer the Section 457 plan, nor does it provide the investment advice to the plan. Accordingly, the Section 457 plan is not part of the County's reporting entity.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2020, the participants had a balance of \$222,513 in the plan.

#### 4.F. TAX ABATEMENT AGREEMENT

In March of 2019, the County created the County Reinvestment Zone No. 001 pursuant to Section 312 of the Texas Property Code. The County entered into a tax abatement agreement with Lampwick Solar, LLC for a period of eight (8) years. The County granted a partial abatement of County property taxes based on the increase in the taxable value of the property attributable to the project over the base year taxable value. The percentage abatement is 80% for years 1-6 and 60% for years 7 and 8.

#### 4.G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the Road and Bridge Fund exceeded the budgeted appropriations in several functions and in total.

#### 4.H. SUBSEQUENT EVENTS

The County has evaluated subsequent events through July 9, 2021 the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MENARD COUNTY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,485,003	\$ 1,513,500	\$ 1,507,934	\$ (5,566)
General Sales and Use Taxes	59,000	200,000	206,668	6,668
Other Taxes	400	400	497	97
Penalty and Interest on Taxes	-	-	28,416	28,416
Licenses and Permits	6,150	5,130	5,130	-
Intergovernmental Revenue and Grants	145,493	181,680	179,951	(1,729)
Charges for Services	240,955	293,996	284,013	(9,983)
Fines	764,080	958,000	946,287	(11,713)
Investment Earnings	1,000	7,000	7,092	92
Other Revenue	46,700	37,875	40,109	2,234
Total Revenues	<u>2,748,781</u>	<u>3,197,581</u>	<u>3,206,097</u>	<u>8,516</u>
<b>EXPENDITURES:</b>				
Current:				
General Administration	770,740	753,469	697,888	55,581
Financial Administration	85,374	72,934	71,180	1,754
Tax Administration	55,732	54,567	53,745	822
Facilities Management	42,328	60,173	61,267	(1,094)
Law Enforcement	654,580	739,950	735,621	4,329
Corrections	268,637	268,147	238,940	29,207
Emergency Management Services	21,104	17,754	31,705	(13,951)
Sanitation	-	20,361	20,360	1
Administration of Justice	408,853	414,267	404,869	9,398
Juvenile Services	79,447	83,963	83,527	436
Health and Human Services	114,756	175,936	148,257	27,679
Recreation	9,910	19,010	18,155	855
Parks	50,300	87,990	88,410	(420)
Museums	1,800	1,800	1,800	-
Libraries	28,723	38,649	37,991	658
Conservation and Development	111,816	84,174	81,777	2,397
Debt Service:				
Principal on Debt	-	28,735	28,735	-
Interest on Debt	-	5,258	5,061	197
Capital Outlay:				
Capital Outlay	45,000	17,387	59,607	(42,220)
Total Expenditures	<u>2,749,100</u>	<u>2,944,524</u>	<u>2,868,895</u>	<u>75,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(319)</u>	<u>253,057</u>	<u>337,202</u>	<u>84,145</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	56	56	-
Proceeds from Capital Leases	150,000	-	47,710	47,710
Transfers Out (Use)	(168,607)	(208,376)	(342,686)	(134,310)
Total Other Financing Sources (Uses)	<u>(18,607)</u>	<u>(208,320)</u>	<u>(294,920)</u>	<u>(86,600)</u>
Net Change in Fund Balances	(18,926)	44,737	42,282	(2,455)
Fund Balance - October 1 (Beginning)	<u>153,077</u>	<u>153,077</u>	<u>153,077</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 134,151</u>	<u>\$ 197,814</u>	<u>\$ 195,359</u>	<u>\$ (2,455)</u>

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

MENARD COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ 11,900	\$ 61,605	\$ 99,497	\$ 37,892
Charges for Services	132,500	136,600	124,241	(12,359)
Rents and Royalties	900	900	900	-
Other Revenue	3,700	500	500	-
Total Revenues	<u>149,000</u>	<u>199,605</u>	<u>225,138</u>	<u>25,533</u>
<b>EXPENDITURES:</b>				
Current:				
General Administration	48,956	53,504	50,588	2,916
Roads and Bridges	300,846	360,641	294,047	66,594
Capital Outlay:				
Capital Outlay	-	25,000	134,279	(109,279)
Total Expenditures	<u>349,802</u>	<u>439,145</u>	<u>478,914</u>	<u>(39,769)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200,802)</u>	<u>(239,540)</u>	<u>(253,776)</u>	<u>(14,236)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	200,802	212,376	262,360	49,984
Total Other Financing Sources (Uses)	<u>200,802</u>	<u>212,376</u>	<u>262,360</u>	<u>49,984</u>
Change in Fund Balance	-	(27,164)	8,584	35,748
Fund Balance - October 1 (Beginning)	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ (27,164)</u>	<u>\$ 8,584</u>	<u>\$ 35,748</u>

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



	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	161,341	\$ 149,860	\$ 141,059
	307,652	296,397	276,864
	-	51,701	-
	31,047	(170,816)	(30,234)
	-	41,643	-
	(188,600)	(190,743)	(202,283)
\$	311,440	\$ 178,042	\$ 185,406
	3,811,542	3,633,499	3,448,092
\$	4,122,982	\$ 3,811,541	\$ 3,633,498
\$	109,962	\$ 107,391	\$ 103,564
	87,970	85,913	82,851
	273,042	8,270	241,758
	(188,600)	(190,743)	(202,283)
	(2,966)	(2,684)	(2,837)
	28,693	(88,664)	(42,060)
\$	308,101	\$ (80,517)	\$ 180,993
	3,691,339	3,771,856	3,590,862
\$	3,999,440	\$ 3,691,339	\$ 3,771,855
\$	123,542	\$ 120,202	\$ (138,357)
	97.00%	96.85%	103.81%
\$	1,256,714	\$ 1,227,324	\$ 1,183,592
	9.83%	9.79%	(11.69%)

	2017	2016	2015	2014	2013	2012	2011
\$	104,433	\$ 99,413	\$ 101,671	\$ 96,887	\$ 83,841	\$ 77,665	72,135
	109,962	107,391	103,564	96,887	83,841	77,665	72,135
\$	(5,529)	\$ (7,978)	\$ (1,893)	- \$	- \$	- \$	-
\$	1,256,714	\$ 1,227,324	\$ 1,183,592	\$ 1,107,282	\$ 984,044	\$ 931,239	857,730
	8.70%	8.80%	8.70%	8.70%	8.50%	8.30%	8.40%

MENARD COUNTY  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2020

**Valuation Date:** Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	4.1 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected.
	2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions.
	2016: Employer contributions reflect that a 10% CPI COLA was adopted.
	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
	2018: No changes in plan provisions were reflected in the Schedule.
	2019: No changes in plan provisions were reflected in the Schedule.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SUPPLEMENTARY INFORMATION

21 JP Court Technology Fund	24 Court Reporter Fund	25 Appellate Judicial Fund	26 Alternative Dispute Resolution	28 Truancy Prevention Fund	30 Records Management Fund	31 Clerks Archival Fund	32 Courthouse Restoration Fund
\$ 49,228	\$ 19,946	\$ 289	\$ 7,265	\$ 8,688	\$ 25,807	\$ 21,260	\$ 6,479
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
122	149	15	15	44	260	260	62
-	-	-	-	-	-	-	-
<u>\$ 49,350</u>	<u>\$ 20,095</u>	<u>\$ 304</u>	<u>\$ 7,280</u>	<u>\$ 8,732</u>	<u>\$ 26,067</u>	<u>\$ 21,520</u>	<u>\$ 6,541</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,250	\$ 288	\$ -	\$ -
-	-	-	-	2,250	288	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49,350	20,095	304	7,280	6,482	25,779	21,520	6,541
<u>49,350</u>	<u>20,095</u>	<u>304</u>	<u>7,280</u>	<u>6,482</u>	<u>25,779</u>	<u>21,520</u>	<u>6,541</u>
<u>\$ 49,350</u>	<u>\$ 20,095</u>	<u>\$ 304</u>	<u>\$ 7,280</u>	<u>\$ 8,732</u>	<u>\$ 26,067</u>	<u>\$ 21,520</u>	<u>\$ 6,541</u>

<u>Total</u> <u>Nonmajor</u> <u>Special</u> <u>Revenue Funds</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 176,625	\$ 176,625
1,475	1,475
(44)	(44)
1,968	1,968
1,226	1,226
<u>\$ 181,250</u>	<u>\$ 181,250</u>
<u>\$ 2,757</u>	<u>\$ 2,757</u>
<u>2,757</u>	<u>2,757</u>
<u>1,431</u>	<u>1,431</u>
<u>1,431</u>	<u>1,431</u>
<u>177,062</u>	<u>177,062</u>
<u>177,062</u>	<u>177,062</u>
<u>\$ 181,250</u>	<u>\$ 181,250</u>

21 JP Court Technology Fund	24 Court Reporter Fund	25 Appellate Judicial Fund	26 Alternative Dispute Resolution	28 Truancy Prevention Fund	30 Records Management Fund	31 Clerks Archival Fund	32 Courthouse Restoration Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9,437	150	295	-	5,490	260	1,325
8,230	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,070
-	-	-	-	3,771	-	-	-
<u>8,230</u>	<u>9,437</u>	<u>150</u>	<u>295</u>	<u>3,771</u>	<u>5,490</u>	<u>260</u>	<u>3,395</u>
-	-	-	-	-	-	898	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,259	-	129	350	-	3,326	-	-
-	-	-	-	-	-	-	-
<u>5,259</u>	<u>-</u>	<u>129</u>	<u>350</u>	<u>-</u>	<u>3,326</u>	<u>898</u>	<u>-</u>
<u>2,971</u>	<u>9,437</u>	<u>21</u>	<u>(55)</u>	<u>3,771</u>	<u>2,164</u>	<u>(638)</u>	<u>3,395</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,971	9,437	21	(55)	3,771	2,164	(638)	3,395
<u>46,379</u>	<u>10,658</u>	<u>283</u>	<u>7,335</u>	<u>2,711</u>	<u>23,615</u>	<u>22,158</u>	<u>3,146</u>
<u>\$ 49,350</u>	<u>\$ 20,095</u>	<u>\$ 304</u>	<u>\$ 7,280</u>	<u>\$ 6,482</u>	<u>\$ 25,779</u>	<u>\$ 21,520</u>	<u>\$ 6,541</u>

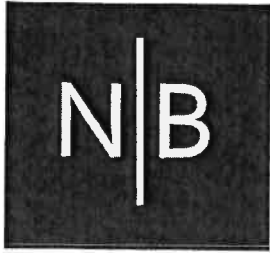
Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 19,937	\$ 19,937
266	266
14,895	14,895
17,457	17,457
8,230	8,230
2,070	2,070
21,894	21,894
<u>84,749</u>	<u>84,749</u>
898	898
8,439	8,439
1,055	1,055
9,064	9,064
6,952	6,952
<u>26,408</u>	<u>26,408</u>
<u>58,341</u>	<u>58,341</u>
16,020	16,020
(34,000)	(34,000)
<u>(17,980)</u>	<u>(17,980)</u>
40,361	40,361
<u>136,701</u>	<u>136,701</u>
<u>\$ 177,062</u>	<u>\$ 177,062</u>



MENARD COUNTY, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	BALANCE OCTOBER 1 2019	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2020
<b>OFFICIALS' FEES ACCOUNTS FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 268,687	\$ 2,210,104	\$ 2,300,554	\$ 178,237
Liabilities:				
Due to Others	\$ 268,687	\$ 2,210,104	\$ 2,300,554	\$ 178,237
 <b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 268,687	\$ 2,210,104	\$ 2,300,554	\$ 178,237
Liabilities:				
Due to Others	\$ 268,687	\$ 2,210,104	\$ 2,300,554	\$ 178,237

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



# NEFFENDORF & BLOCKER, P.C.

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

Honorable Judge and County Commissioners  
County of Menard  
Menard, TX 76859

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the County of Menard's basic financial statements, and have issued our report thereon dated July 9, 2021.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & TEXAS SOCIETY OF CPAs

**Purpose of this Report**

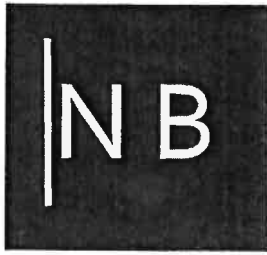
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

*Neffendorf & Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas

July 9, 2021



# NEFFENDORF & BLOCKER, P.C.

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July 9, 2021

Honorable Judge and County Commissioners  
County of Menard  
Menard, TX 76859

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Menard, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2020. We noted no transactions entered into by the County of Menard, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 9, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Menard's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menard's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of changes in net pension liability and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting record used to prepare the financial statements.

### *Recommendations*

#### **Budget Amendments**

Actual expenditures exceeded the budgeted amount for the Road & Bridge Funds. We recommend that the County amend the budget when the actual expenditures will exceed the budgeted amounts.

#### **Capital Projects Fund**

The County was awarded a courthouse preservation grant (Texas Historical Commission). These transactions were recorded in a special revenue fund (Courthouse Restoration Fund). We recommend that a separate fund in the general ledger be used to record these transactions.

#### **Sheriff's Office**

In the prior year we made several recommendations to establish basic accounting procedures for the two bank accounts (Abandoned Vehicle and Seizure Escrow). We again recommend that these be implemented along with a monthly submission of the check registers and reconciliations to the Treasurer.

**Menard County Community Center**

We again recommend the Community Center adopt an annual budget to include the major categories of revenues and expenditures. The annual budget could then also be included on the monthly report for comparison to actual revenues and expenditures by major category. As of October 1, 2020, the County Treasurer's office has assumed the accounting functions of the community center.

Restriction on Use

This information is intended solely for the use of the Commissioner's Court and management of County of Menard and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Neffendorf + Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas