

Lamar County, Texas

Annual Financial Report

*For the Year Ended
September 30, 2021*

Malnory, McNeal & Company, PC

Certified Public Accountants

LAMAR COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Lamar County, Texas
Annual Financial Report
For The Year Ended September 30, 2021

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Financial Section

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Independent Auditor's Report

Honorable County Judge of Lamar County, and Honorable Members of Lamar County
Commissioners Court
Lamar County, Texas

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

Management's Responsibility for the Financial Statements

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

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

Opinions

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

Emphasis-of-Matter

As discussed in Note A-5 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84 for *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and schedule of changes in net pension liability and schedule of pension contributions, and schedule of changes in total OPEB liability and related ratios identified as Required Supplementary Information in the table of contents 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary and Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, and other supplementary information sections, listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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'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's internal control over financial reporting and compliance.

Malnary, McNeal & Company PC

Certified Public Accountants

June 27, 2022
Paris, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lamar County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

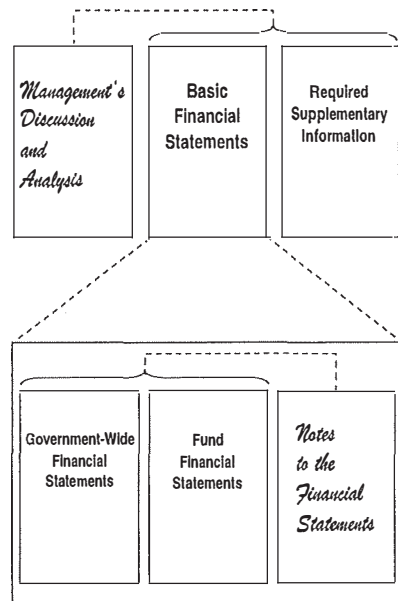
- The County's total combined Net Position was \$35,016,906 at September 30, 2021.
- During the year, the County's expenses were \$2,674,038 less than the \$26,476,185 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was 7.6% higher than last year.
- The unassigned fund balance of the general fund was \$8,947,499 or 55% of total general fund expenditures, which is lower than last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the county that are not proprietary or fiduciary	Activities the county operates similar to private businesses: self insurance	Instances in which the county is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of the net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as general government, public safety, legal, public transportation, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

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

The County has the following kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds*—The County is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position: The County's combined net position was \$34,980,855 at September 30, 2021. (See Table A-1).

Table A-1
County's Net Position

	Governmental	
	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$13,894,092	\$5,393,570
Investments	13,541,576	11,602,708
Receivables (net of allowances for uncollectible):		
Interest	7,651	21,230
Taxes	1,472,299	1,441,169
Accounts	2,229,479	2,160,015
Due from other funds	60,189	-
Due from other governments	918,230	783,278
Inventories	125,987	139,736
Prepaid Expense	107,027	6,457
Capital assets (net, where applicable, of accumulated depreciation)	25,988,431	24,586,230
Total Assets and Other Debits	<u>58,344,961</u>	<u>46,134,393</u>
Deferred Outflows of Resources	<u>3,610,154</u>	<u>1,506,780</u>
Liabilities:		
Accounts payable and Accrued expenditures	1,335,900	655,854
Due to other funds	10,441	-
Unearned Revenue	4,798,975	31,415
Due to Other Agencies	5,691	28,269

Noncurrent Liabilities:		
Due Within One Year	647,319	91,565
Due in More than One Year	6,279,440	2,806,821
Compensated Absences Payable	546,752	517,818
Unamortized Premium on Bonds	494,288	--
Net Pension Liability	4,788,198	3,406,906
Total OPEB Liability	4,844,724	4,694,697
Total Liabilities	23,751,728	12,267,809
Deferred Inflows of Resources	3,186,481	2,909,656
Net Position:		
Invested in Capital Assets, Net of Related Debt	21,411,946	20,462,015
Restricted For:		
Federal and State Programs	1,047,194	221,048
Debt Service	28,293	6,755
Capital Projects	4,277,666	330,892
Indigent Care	1,039,330	396,600
Records Management	1,617,353	1,421,174
Judicial	265,580	246,492
Road and Bridge	1,745,711	1,419,791
Other Purposes	881,105	1,982,050
Unrestricted	2,702,728	5,976,891
Total Net Position	\$35,016,906	\$32,462,70

Approximately 0.26% of the County's restricted net position represents debt service funds. These funds, when spent, are restricted for the payment of the County's outstanding certificates of obligation. The \$2,702,728 of unrestricted assets set represents resources available to fund the programs of the County next year.

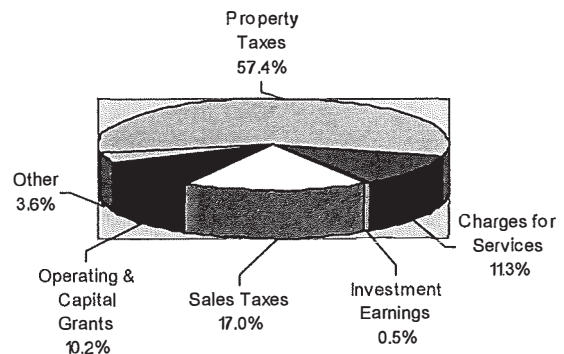
Changes in Net Position. The County's total revenues were \$26,476,185. A significant portion, 57.4%, of the County's revenue comes from property taxes. (See Figure A-3) 11.3% came from charges for services, 17.0% came from sales tax, and 8.3% from operating grants and contributions.

The total cost of all programs and services was \$23,802,147; 26.1% of these costs are for law enforcement services.

Governmental Activities

- Property tax rates decreased 2.6% from the same as in the prior year and valuations increased 1.3%. The increase in values created an increase in tax revenues to \$15,192,068.
- The County sold capital bonds of \$2,500,000 in 2003. These bonds were authorized for use in the courthouse restoration project. They were refunded in 2012 and gave the county a total interest savings of \$174,302. This project was completed during the fiscal

Figure A-3 County Sources of Revenue for Fiscal Year 2020-2021



year 2006. Bonds were also issued in 2011 for \$2,000,000 towards capital projects performed on several county buildings. These bonds were paid off in 2021. In 2017 bonds were issued for \$2,550,000 towards capital projects and capital assets and in 2021 the county issued certificates of obligation in the amount of \$4,500,000 to be used for capital projects, capital assets, and road improvements.

Table A-2
Changes in County's Net Position

	Activities	
	<u>2021</u>	<u>2020</u>
Revenues :		
Program Revenues :		
Charges for Services	\$2,992,704	\$2,894,626
Operating Grants and Contributions	2,195,607	1,004,230
General Revenues:		
Taxes	19,696,207	18,003,805
Grants and Contributions Not Restricted to Specific	502,867	288,490
Unrestricted Investment Earnings	138,431	--
Gain on Sale of Capitalized Assets	54,917	15,493
Miscellaneous	895,452	723,774
Total Revenues	<u>26,476,185</u>	<u>23,194,201</u>
Program Expenses:		
General Administration	3,712,512	3,169,338
Financial Administration	1,358,377	1,262,419
Judicial	1,894,470	1,898,581
Legal	891,046	860,055
Election	459,673	229,210
Public Safety	6,920,388	6,840,741
Emergency Mgt.	291,307	101,059
Public Welfare	1,899,695	2,173,286
Public Transportation	5,250,457	4,497,704
Conservation and Agriculture	118,598	112,610
Public Facilities	981,055	992,569
Interest on Long-Term Debt	24,570	19,103
Total Expenses	<u>23,802,147</u>	<u>22,156,675</u>
Change in Net Position	2,674,038	1,037,526
Net Position, October 1	32,463,708	31,426,185
Prior Period Adjustment	(120,840)	--
Adjusted Net Position	<u>32,342,868</u>	<u>31,426,182</u>
Net Position, September 30	<u>\$35,016,906</u>	<u>\$32,463,708</u>

The Table A-3 presents the cost of each of the County's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$23,802,147.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$15,192,068.
- Some of the cost was paid by those who directly benefited from the programs \$2,992,704, or
- By grants and contributions of \$2,698,474.

Table A-3
Net Cost of Selected County Functions

	Total Cost of Services		Net Change	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General administration	3,712,512	3,169,338	(1,879,973)	(2,353,414)
Public safety	6,920,388	6,840,741	(6,732,264)	(6,614,689)
Public welfare	1,899,695	2,173,286	(1,814,918)	(2,085,392)
Public transportation	5,250,457	4,497,704	(3,883,073)	(3,528,176)

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

Key factors that enable the County to maintain a stable level of fund balance are as follows:

- Total revenues from property taxes, increased over prior year amounts by \$1,207,309. The increase was due to adopting a tax rate greater than the effective rate. Sales tax revenues and intergovernmental revenues also increased while fees and fines remained mostly unchanged. Miscellaneous revenue increased and interest revenue decreased due to a decrease in CD interest rates. Overall, these changes lead total revenues this year to be higher than that of the prior year.
- Expenditures in governmental funds increased \$1,635,472 (7.5%) from prior year totals. The primary areas of increased expenditures were in general administration and public transportation.

General Fund. The general fund is the chief operating fund of Lamar County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8,947,499, while the total fund balance increased to \$14,567,663. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55% of total general fund expenditures and the total fund balance represents 90% of the same amount. The County has adopted a policy of maintaining a minimum fund balance to be used for

unanticipated needs. A Fund Balance Policy adopted by the Commissioner's Court in 2011 states that the minimum level shall be approximately 25% of budgeted expenditures. The County considers a balance of less than 20% as a cause of concern and an unassigned fund balance of more than 35% as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and/or to reduce the tax levy requirements.

The fund balance of Lamar County's general fund has increased by \$1,687,257 during the current fiscal year. The main reason for this increase is the support of grant funds during this fiscal year which relieved pressure from the general fund as well as conservative spending across many departments, including public safety, which resulted in lower than budgeted operational costs.

Road and Bridge Fund. The Road and Bridge fund balance totaled \$1,745,711, an increase of \$325,920. The main factor in this increase is the continued use of funds from the 2021 Certificates of Obligation.

Debt Service Fund. The debt service fund had a fund balance of \$28,293 as of September 30, 2021.

General Fund Budgetary Highlights

Over the course of the year, the County revised its budget forty-one times due to the receipt of unexpected revenues. Differences between the original budget and the final amended budget in the general fund for expenses were a \$475,465 increase in appropriations, and were primarily the following:

- Appropriations for public safety
- Appropriations for elections
- Appropriations for capital outlay

Even with these adjustments, actual expenditures were \$1,604,241 below the final budget amounts. The most significant positive variance resulted from operating costs in public safety, public welfare, and public facilities. Public safety savings came mainly from personnel costs remaining down in both the Sheriff's Department and criminal detention due to the high turnover rate, along with a lower fuel cost which resulted in a lower cost of operating public safety related vehicles. Electricity utility savings as well as a decrease in the necessary building repairs expenses for the year resulted in a large portion of the positive variance in the public facilities category.

On the other hand, resources available were \$2,670,911 above the final budgeted amount. Due mostly to the following:

- Sales tax revenues increased above budgeted amounts due to increased collections during the COVID-19 pandemic and the conservative approach the County uses to estimate revenue.
- Property tax collections were greater than the estimated collectible amounts.
- Intergovernmental receipts, fees of office, and miscellaneous revenues also contributed to this increase over the budgeted revenue amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the County had invested \$59,740,637 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure (see Table A-4). This amount represents a net increase (including additions and deductions) of \$2,163,773 or 3.8% from last year. This was mainly due to the replacement of older equipment with new equipment and the addition of building improvements.

Table A-4
County's Capital Assets

	Governmental Activities	
	2021	2020
Land	\$ 732,602	\$ 732,602
Infrastructure	21,116,805	21,116,805
Vehicles and equipment	14,834,000	12,670,227
Buildings and improvements	23,789,832	23,789,832
Totals at historical cost	<u>60,473,239</u>	<u>58,309,466</u>
Total accumulated depreciation	(34,484,808)	(33,723,236)
Net capital assets	<u>\$ 25,988,431</u>	<u>\$ 24,586,230</u>

The County's fiscal year 2020-21 capital budget projects included spending an estimated \$2,200,000 for improvements and equipment, principally to do upgrades and large-scale repair on county buildings, along with the purchase of additional equipment. More detailed information about the County's capital assets is presented in Note D of the notes to the financial statements.

Long Term Debt

At year-end, the County had \$6,822,947 in bonds and notes outstanding as shown in Table A-5. More detailed information about the County's debt is presented in Note G in the notes to the financial statements.

Table A-5
County's Long-Term Debt

	<u>2021</u>	<u>2020</u>
Bonds and Notes Payable	\$ 6,822,947	\$ 2,771,000
Capital Lease	103,812	127,386
	546,752	517,818
Compensated Absences		
OPEB Obligation	4,844,724	4,694,697
Total long-term debt	<u>\$ 12,318,235</u>	<u>\$ 8,110,901</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021-22 budget preparation is up \$620,661,837, or 17%.
- General operating fund spending increases in the 2021-22 budget from \$17,197,448 to \$17,916,842. This is a 4.2% increase.

These indicators were taken into account when adopting the general fund budget for 2021-22. During the current fiscal year, the unassigned fund balance in the general fund increased to \$8,947,499. Lamar

County appropriated \$2,607,199 of this amount for spending in the 2021-22 fiscal year budget. The County will use this balance to fund the rising costs in the general fund.

In the general fund, expenditures are budgeted to rise 4.2% to \$17,916,842. The increase is primarily due to increased operating costs and equipment. The majority of employees received a \$1000 pay raise for the 2021-22 fiscal year, while some, including law enforcement, received a larger increase.

If these estimates are realized, the County's budgetary general fund balance is expected to see a decrease by the close of 2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

LAMAR COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 13,894,092
Investments	13,541,576
Receivables (net of allowances for uncollectibles):	
Interest	7,651
Taxes	1,472,299
Accounts	2,229,479
Due From Other Funds	60,189
Due From Other Governments	918,230
Inventories	125,987
Prepaid Expenses	107,027
Capital Assets (net, where applicable, of accumulated depreciation)	
Land	732,602
Buildings	11,258,826
Equipment	7,115,959
Infrastructure - Roads and Bridges	6,881,044
Total Assets	<u>58,344,961</u>
Deferred Outflows of Resources:	
Deferred Outflows of Resources--Pension	3,349,707
Deferred Outflows of Resources--OPEB	260,447
Total Deferred Outflows of Resources	<u>3,610,154</u>
LIABILITIES	
Liabilities:	
Accounts payable & Accrued expenditures	1,335,900
Due To Other Funds	10,441
Unearned Revenue	4,798,975
Due to Other Agencies	5,691
Noncurrent Liabilities:	
Due Within One Year	647,319
Due in More than One Year	6,279,440
Compensated Absences Payable	546,752
Unamortized Premium on Bonds	494,288
Net Pension Liability	4,788,198
Total OPEB Liability	4,844,724
Total Liabilities	<u>23,751,728</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources--Pension	1,837,525
Deferred Inflows of Resources--OPEB	1,348,956
Total Deferred Inflows of Resources	<u>3,186,481</u>
NET POSITION:	
Net Investment in Capital Assets	21,411,946
Restricted For:	
State and Federal Programs	1,047,194
Debt Service	28,293
Capital Projects	4,277,666
Indigent Care	1,039,330
Records Management	1,617,353
Judicial	265,580
Road and Bridge	1,745,711
Other Purposes	881,105
Unrestricted	2,702,728
Total Net Position	<u>\$ 35,016,906</u>

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				Governmental Activities
General Administration	\$ 3,712,511	\$ 662,270	\$ 212,314	\$ (2,837,927)
Financial Administration	1,358,377	823,027	--	(535,350)
Judicial	1,894,470	310,627	96,002	(1,487,841)
Legal	891,046	29,270	81,440	(780,336)
Elections	459,673	--	337,545	(122,128)
Public Safety	6,920,388	177,287	10,837	(6,732,264)
Emergency Management	291,307	--	37,576	(253,731)
Public Welfare	1,899,695	--	84,777	(1,814,918)
Public Transportation	5,250,457	990,223	377,161	(3,883,073)
Conservation and Agriculture	118,598	--	--	(118,598)
Public Facilities	981,055	--	--	(981,055)
Interest on Long-Term Debt	24,570	--	--	(24,570)
Total Primary Government	<u>\$ 23,802,147</u>	<u>\$ 2,992,704</u>	<u>\$ 1,237,652</u>	<u>(19,571,791)</u>
General Revenues:				
Taxes				
Property Taxes				15,192,068
Sales Taxes				4,504,139
Grants and Contributions Not Restricted to Specific Program				1,460,822
Unrestricted Investment Earnings				138,431
Gain on Sale of Non-Capitalized Equipment				54,917
Miscellaneous				895,452
Total General Revenues				<u>22,245,829</u>
Change in Net Assets				2,674,038
Net Position - Beginning				32,463,708
Prior Period Adjustment				(120,840)
Net Position - Beginning, as Restated				32,342,868
Net Assets - Ending				<u>\$ 35,016,906</u>

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Road & Bridge Fund
	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets:		
Cash and cash equivalents	\$ 1,843,614	\$ 694,731
Investments	12,537,434	1,000,919
Receivables (net of allowances for uncollectibles):		
Interest	6,872	779
Taxes	1,046,985	288,400
Accounts	1,524,772	704,707
Due from other funds	3,706	--
Due from other governments	755,209	--
Inventories	--	114,940
Prepaid expense	107,027	--
Total Assets	<u>17,825,619</u>	<u>2,804,476</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable & Accrued Expenditures	\$ 708,956	\$ 73,885
Deferred Revenue	--	--
Due to Other Agencies	--	--
Due to Other Funds	--	--
Total Liabilities	<u>708,956</u>	<u>73,885</u>
Deferred Inflows of Resources:		
Deferred Inflows of Resources--Fines	1,502,015	696,480
Deferred Inflows of Resources--Property Taxes	1,046,985	288,400
Total Deferred Inflows of Resources	<u>2,549,000</u>	<u>984,880</u>
Fund Balances:		
Nonspendable Fund Balances:		
Inventories	--	114,940
Prepaid expense	107,027	--
Restricted Fund Balances:		
Federal/State Funds Grant Restrictions	--	--
Other Restrictions of Fund Balance	100	1,630,771
Committed Fund Balances:		
SURRMA	270,095	--
Other Committed Fund Balance	607,037	--
Assigned	4,635,905	
Unassigned	8,947,499	--
Total Fund Balances	<u>14,567,663</u>	<u>1,745,711</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,825,619</u>	<u>\$ 2,804,476</u>

EXHIBIT A-3

<u>Coronavirus State and Local Fiscal Recovery Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,798,975	\$ 6,556,772	\$ 13,894,092
--	3,223	13,541,576
--	--	7,651
--	136,914	1,472,299
--	--	2,229,479
--	56,483	60,189
--	163,021	918,230
--	11,047	125,987
--	--	107,027
<u>4,798,975</u>	<u>6,927,460</u>	<u>32,356,530</u>
\$ --	\$ 497,275	\$ 1,280,116
4,798,975	--	4,798,975
--	5,691	5,691
--	10,441	10,441
<u>4,798,975</u>	<u>513,407</u>	<u>6,095,223</u>
--	--	2,198,495
--	136,914	1,472,299
<u>--</u>	<u>136,914</u>	<u>3,670,794</u>
--	11,047	125,987
--	--	107,027
--	106,079	106,079
--	6,121,598	7,752,469
--	--	270,095
--	38,415	645,452
--	--	4,635,905
--	--	8,947,499
<u>--</u>	<u>6,277,139</u>	<u>22,590,513</u>
<u>\$ 4,798,975</u>	<u>\$ 6,927,460</u>	<u>\$ 32,356,530</u>

LAMAR COUNTY, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 22,590,513
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	25,988,431
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,472,299
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,705,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(103,812)
Payables for bond interest which are not due in the current period are not reported in the funds.	(55,784)
Payables for notes which are not due in the current period are not reported in the funds.	(117,947)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(546,752)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	2,198,495
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.	(4,788,198)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,837,525)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,349,707
Bond premiums are amortized in the SNA but not in the funds.	(494,288)
Recognition of the County's proportionate share of the net OPEB liability is not reported in the funds.	(4,844,724)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,348,956)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>260,447</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 35,016,906</u>

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS

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

	General Fund	Road & Bridge Fund
Revenue:		
Property Taxes	\$ 10,782,910	\$ 2,970,245
Other Taxes	4,504,139	--
Intergovernmental Receipts	485,321	377,161
Fees of Office	1,429,038	870,388
Fines	120,791	119,835
Interest	114,803	3,832
Miscellaneous	485,381	90,831
Total revenues	<u>17,922,383</u>	<u>4,432,292</u>
Expenditures:		
Current:		
General Administration	2,451,784	--
Financial Administration	1,375,979	--
Judicial	1,884,127	--
Legal	760,312	--
Elections	423,694	--
Public Safety	6,352,522	--
Public Welfare	1,239,904	--
Public Transportation	--	3,834,565
Conservation and Agriculture	120,124	--
Public Facilities	777,855	--
Emergency Management	319,399	--
Capital outlay	427,748	307,951
Principal	--	81,627
Interest and fees	--	9,177
Debt Issuance Costs	--	--
Total expenditures	<u>16,133,448</u>	<u>4,233,320</u>
Excess (deficiency) of revenues (under) expenditures	1,788,935	198,972
Other financing sources (uses):		
Transfers in	--	--
Transfers out	(101,678)	--
Proceeds from Sales of Capital Assets	--	126,948
Proceeds from Debt Issuance	--	--
Premium on Debt Issued	--	--
Total other financing sources (uses)	<u>(101,678)</u>	<u>126,948</u>
Net change in fund balances	1,687,257	325,920
Fund balances/equity, October 1	12,880,406	1,419,791
Prior Period Adjustment (Note)	--	--
Fund balances/equity, October 1, as Restated	12,880,406	1,419,791
Fund balances/equity, September 30	<u>\$ 14,567,663</u>	<u>\$ 1,745,711</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Coronavirus State and Local Fiscal Recovery Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,407,784	\$ 15,160,939
--	--	4,504,139
43,288	1,792,704	2,698,474
--	363,711	2,663,137
--	--	240,626
6,712	13,084	138,431
--	327,374	903,586
<u>50,000</u>	<u>3,904,657</u>	<u>26,309,332</u>
50,000	748,403	3,250,187
--	--	1,375,979
--	48,024	1,932,151
--	139,290	899,602
--	2,629	426,323
--	432,115	6,784,637
--	660,933	1,900,837
--	436,431	4,270,996
--	--	120,124
--	--	777,855
--	--	319,399
--	2,542,200	3,277,899
--	10,000	91,627
--	67,306	76,483
--	91,312	91,312
<u>50,000</u>	<u>5,178,643</u>	<u>25,595,411</u>
--	(1,273,986)	713,921
--	105,387	105,387
--	(3,709)	(105,387)
--	--	126,948
--	4,120,000	4,120,000
--	471,313	471,313
<u>--</u>	<u>4,692,991</u>	<u>4,718,261</u>
--	3,419,005	5,432,182
--	2,978,974	17,279,171
--	(120,840)	(120,840)
--	2,858,134	17,158,331
<u>\$ --</u>	<u>\$ 6,277,139</u>	<u>\$ 22,590,513</u>

LAMAR COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ 5,432,182
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,395,877
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,848,206)
The gain or loss on the sale of capital assets is not reported in the funds.	(18,522)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(126,948)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	31,129
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	10,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	58,053
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	23,571
(Increase) Decrease in accrued interest from beginning of period to the end.	(50,382)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(28,934)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	80,807
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,120,000)
Certificate of Obligation premiums are reported as current resources in the funds but are amortized over the life of the debt for the SOA.	(459,824)
The County's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	93,832
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>201,403</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,674,38</u>

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 2,102,346
Accounts receivable	45
Total Assets	<u>\$ 2,102,391</u>
LIABILITIES	
Current Liabilities	
Accounts payable & Accrued expenditures	\$ 101,142
Due to other governmental agencies	901,550
Due to other funds	49,748
Total Liabilities	<u>\$ 1,052,440</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 1,049,951
Total Net Position	<u>1,409,951</u>

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Custodial Funds
ADDITIONS:	
Fees collected for other governments	\$ 380,243
Fines collected for other governments	3,123
Inmate deposits	394,914
Seizures by law enforcement	90,824
Interest earnings	231
Total Additions	<u>869,335</u>
DEDUCTIONS:	
Payments to state	371,031
Payments due under judicial order/statue	66,520
Payments on behalf of inmates	345,915
Total Deductions	<u>783,466</u>
Change in Fiduciary Net Position	85,869
Net Position-Beginning of the Year	--
Prior Period Adjustment	1,324,082
Net Position-End of the Year	<u>\$ 1,409,951</u>

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Significant Accounting Policies

The combined financial statements of Lamar County, Texas (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB statement No. 14, "The Financial Reporting Entity," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The County holds the corporate powers of the organization
- The County appoints a voting majority of the organization's board
- The County is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the County
- There is fiscal dependency by the organization on the County
- The exclusion of the organization would result in misleading or incomplete financial statements
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the County
- The County or the component unit, is entitled to, or has ability to otherwise access, a majority of the economic resources received or held by the component unit.
- The economic resources received or held by component unit are significant to the County

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has one component unit, Lamar County Child Welfare Board (LCCWB). The LCCWB is reported in the operations and activities of the County as a blended component unit.

Certain significant governmental and other entities providing services within the County are administered by separate boards or commissioners, are not financially accountable to the Commissioners' Court, and are responsible for their own fiscal matters. Consequently, financial information for the following entities is not included within the scope of these financial statements:

Paris Junior College	City of Paris, Texas
Paris Independent School District	City of Deport, Texas
Prairiland Independent School District	City of Reno, Texas
City of Roxton, Texas	City of Blossom, Texas
North Lamar Independent School District	Lamar County Appraisal District
Chisum Independent School District	

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

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

Special Revenue Funds-- to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds-- to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals other than governments).

Debt Service Funds-- to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major governmental funds:

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

Road and Bridge Fund-- This fund is used to account for monies designated for use in road and bridge work of the County. Primary sources of revenues for these special revenue funds included ad valorem taxes, automobile registration fees, County and District court fines, and state allotments of road funds. Revenues are used for public transportation maintenance and construction purposes.

Coronavirus State and Local Recovery Fund – This fund is used to account for the monies received as allocation from the American Rescue Plan Act 2021.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

In addition, the County reports the following fund types:

Fiduciary Funds: The county uses fiduciary funds to account for assets held in a trustee or custodial capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

The fiduciary funds of the County consist only of custodial funds.

Custodial Funds-- The Court acts in a custodial capacity for individuals, firms, and State and Local governments. In its custodial capacity, custodial funds have been created and include monies placed into the registry of the county and district courts on behalf of minors or other parties involved in litigation. Also, included are child support, restitution, forfeiture accounts, court costs, and auto registration fees collected on behalf of the State and Local governments.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity date of three months or less when purchased.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at cost using the first in/ first out (FIFO) method. Inventory items are recorded as expenditures when they are consumed. The County records purchase of supplies as expenditures, utilizing the purchases method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Road and Bridge Fund	Other Governmental	Total
Interest Receivable	\$ 6,872	\$ 779	\$ --	\$ 7,651
Delinquent Tax Receivable	1,102,089	303,579	144,120	1,549,788
Less: Allowance for Uncollectible	(55,104)	(15,179)	(7,206)	(77,489)
Net Delinquent Tax Receivable	<u>1,046,985</u>	<u>288,400</u>	<u>136,914</u>	<u>1,472,299</u>
Accounts Receivable	2,879,439	1,665,708	--	4,545,147
Less: Allowance for Uncollectible	(1,354,667)	(961,001)	--	(2,315,668)
Net Fines Receivable	<u>1,524,772</u>	<u>704,707</u>	<u>--</u>	<u>2,229,479</u>
Total Net Receivables	<u>\$ 2,578,629</u>	<u>\$ 993,886</u>	<u>\$ 136,914</u>	<u>\$ 3,709,429</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County District Retirement System (TCDRS) and additions to or deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

At September 30, 2021, the County reported the following:

Net Pension Liability	\$	4,788,198
Net OPEB Liability	\$	4,844,724

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Restricted for Federal and State Programs	\$	1,047,194
Restricted for Indigent Care		1,039,330
Restricted for Capital Projects		4,277,666
Restricted for Records Management		1,617,353
Restricted for Judicial		265,580
Restricted for Debt Service		28,293
Road and Bridge		1,745,711
Restricted for Other Purposes		881,105
Total	\$	<u>10,902,232</u>

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners. Committed amounts cannot be used for any other purpose unless the Commissioners removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. At the year ended September 30, 2021, the County reports an Other Committed Fund Balance of \$607,037. These funds were set aside for the County's portion of the retirees OPEB expense.

Assigned Fund Balance - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners or by an official or body to which the Commissioners delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself. At the year ended September 30, 2021, the County reported \$4,635,905 in Assigned Fund Balance. This amount is set aside for the deficient budget for the upcoming fiscal year 2021-2022.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum Fund Balance: Lamar County generally aims to maintain the following minimum fund balances:

General fund's unassigned fund balance of approximately twenty-five percent (25%) of budgeted expenditures for the fiscal year, to be used for unanticipated needs. The County considers a balance of less than twenty percent (20%) to be a cause of concern, barring

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unusual or deliberated circumstances. An unassigned fund balance of more than thirty-five percent (35%) will be considered as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and for to reduce the tax levy requirements.

Road and Bridge Fund: A fund balance between five (5%) to ten percent (10%) of budgeted expenditures to meet sufficient cash flow needs.

Debt Service Fund: A fund balance of no more than ten percent (10%) of the current period payments.

Replenishment of Minimum Fund Balance: At the completion of any fiscal year in which the fund balance is less than the minimum established by fund balance policy, the Commissioners' Court will establish a plan to restore this balance to the target level within a specified period of time. When developing this plan, the following items should be considered in establishing the appropriate time horizon:

- * The budgetary reasons behind the fund balance targets
- * Recovery from an extreme event
- * Financial planning time horizon
- * Long-term forecasts and economic conditions
- * Milestones for gradual replacement
- * External financing options

Implementation and Review: Upon adoption of this policy the Commissioner Court authorizes the County Auditor to establish standards and procedures which may be necessary for its implementation. The County Auditor shall review this policy at least annually and make any recommendations for change to the Commissioners Court.

i. **Compensated Absences**

General leave for the County includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued general leave earned not to exceed forty hours of vacation or forty hours of sick leave converted as set forth by personnel policy.

j. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. **Debt Related Intangibles**

Premiums and discounts are amortized over the life of the related bond using the interest method or the straight-line method if the straight-line method does not materially differ from the interest method.

l. **Deferred Outflows and Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

m. Unearned Revenue

The County reports \$4,798,975 in unearned revenue at the year ended September 30, 2021. The funds are the first payment of a \$9.6 million allocation awarded through the Coronavirus State and Local Fiscal Recovery Funds established through the American Rescue Plan Act of 2021. The County received the initial payment of \$4.8 million in May 2021. At year end the County had only spent \$50,000 of those funds.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

The County had no outstanding end-of-year encumbrances.

5. Implementation of New Standards

In the current fiscal year, the County implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 84, Fiduciary Activities

Establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefits) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The County's analysis of GASB 84 determined that all of the existing agency funds qualified as fiduciary funds. As this statement was implemented retroactively it resulted in a restatement of the prior period net position of \$1,324,082 in the Statement of Changes in Fiduciary Net Position. The restated beginning net position is \$1,324,082.

GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a governments majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financial accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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Currently, the District does not expect the implementation of this standard to have an affect on the financial statements.

6. Future Implementation of New Standards

The GASB issued statement No. 87, Leases, in June 2017. This Statement establishes standards of accounting and financial reporting for lease by lessees and lessors. This standard becomes effective for the City in fiscal year 2022. The County has not yet determined the impact of this statement.

The GASB issued statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, in June 2018. This Statement's objective is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This standard becomes effective for the City in fiscal year 2022. The County has not yet determined the impact of this statement.

The GASB issued statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, in March of 2020. This Statement establishes definitions of Public-Private and Public-Public Partnerships and Availability Payment Arrangements in order to improve financial reporting. This standard becomes effective for the City in fiscal year 2022. The County has not yet determined the impact of this statement.

The GASB issued statement No. 96, *Subscription-Based Information Technology Arrangements*, in May of 2020. This Statement establishes standards of accounting and financial reporting for intangible assets, such as cloud computing arrangements and services. This standard becomes effective for the City in fiscal year 2022. The County has not yet determined the impact of this statement.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement addresses specific practice issues that have arisen related to retirement plans. The standard is roughly divided into two parts—component units and Section 457 plans—each of which focus on a different aspect of governmental retirement plan accounting. This standard becomes effective for the City in fiscal year 2022. The County has not yet determined the impact of this statement.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Emergency Management exceeded budget	Management is aware

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2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities 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.

Cash Deposits:

At September 30, 2021, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$29,583,014 and the bank balance was \$29,840,325. The County's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- a. Depository: Guaranty Bank and Trust
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$26,104,567.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$24,103,346. and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

The County entered into a new depository contract with Farmer's Bank effective June 1, 2021.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

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The County's investments at September 30, 2021 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Tex Pool	N/A	\$ 38,746
Certificate of Deposits	Varying 12 months	14,000,687
Total Investments		\$ <u>14,039,433</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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

At September 30, 2021, the County's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows: Aaa

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

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Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas *Government Code*. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool

The County invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas *Government Code*, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

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D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 732,602	\$ --	\$ --	\$ 732,602
Total capital assets not being depreciated	<u>732,602</u>	<u>--</u>	<u>--</u>	<u>732,602</u>
Capital assets being depreciated:				
Road Network	21,116,805	--	--	21,116,805
Building and Improvements	23,789,832	--	--	23,789,832
Equipment	12,670,227	3,395,877	1,232,104	14,834,000
Total capital assets being depreciated	<u>57,576,864</u>	<u>3,395,877</u>	<u>1,232,104</u>	<u>59,740,637</u>
Less accumulated depreciation for:				
Road Network	(13,769,940)	(465,821)	--	(14,235,761)
Buildings and Improvements	(12,076,571)	(454,435)	--	(12,531,006)
Equipment	(7,876,725)	(927,950)	1,086,634	(7,718,041)
Total accumulated depreciation	<u>(33,723,236)</u>	<u>(1,848,206)</u>	<u>1,086,634</u>	<u>(34,484,808)</u>
Total capital assets being depreciated, net	<u>23,853,628</u>	<u>(1,547,671)</u>	<u>145,470</u>	<u>25,255,829</u>
Governmental activities capital assets, net	<u>\$ 24,586,230</u>	<u>\$(1,547,671)</u>	<u>\$145,470</u>	<u>\$25,988,431</u>

Depreciation was charged to functions as follows:

General Government	\$ 210,463
Judicial	3,008
Legal	8,363
Election	36,458
Finance	4,865
Facilities	292,359
Safety	364,497
Transportation	928,193
	<u>\$ 1,848,206</u>

E. Interfund Balances and Activity

Transfers To and From Other Funds

Transfers From	Transfers To	Amount	Reason
General Fund	Lamar Co. Child Welfare Fund	\$ 57,000	Supplement other funds sources
General Fund	Victims Coordinator Grant Fund	17,749	Supplement other funds sources
General Fund	Perm Improvement Fund	21,644	Supplement other funds sources
General Fund	Court House Security Fund	5,285	Supplement other funds sources
County Attorney Special	County Attorney Hot Check	3,709	Supplement other funds sources
	Total	<u>\$ 105,387</u>	

F. Short-Term Debt Activity

The County accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. There were no short-term loans.

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G. Long-Term Obligations

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the County.

1. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
2012 Tax Refunding Bonds	\$ 85,000	\$ --	\$ --	\$ 85,000	\$ --
2017 Certificate of Obligation	2,510,000	--	10,000	2,500,000	10,000
2021 Certificate of Obligation	--	4,120,000	--	4,120,000	555,000
Government Capital Note 2020	45,000	--	14,448	30,552	14,993
Government Capital Note 2019	131,000	--	43,605	87,395	42,893
Total	2,771,000	4,120,000	68,053	6,822,947	622,886
Premium 2021 Certificate of Obligation					
	--	471,313	--	471,313	--
Premium 2012 Refunding Bonds	34,464	--	11,489	22,975	--
Total	34,464	471,313	11,489	494,288	--
Amount Payable Under:					
Capital Lease	127,386	--	23,574	103,812	24,433
Compensated Absences *	517,818	472,479	443,545	546,752	546,752
OPEB Obligations	4,694,697	150,027	--	4,844,724	--
Total	5,339,901	622,506	467,119	5,495,288	571,185
Total Governmental Activities	\$8,145,365	\$5,213,819	\$ 546,662	\$ 12,812,522	\$1,194,071

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021 are as follows:

Year ending September 30,	Governmental Activities			
	Bonds		Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2022	\$ 565,000	\$ 213,092	\$ 57,886	\$ 4,429
2023	620,000	161,519	60,061	2,254
2024	640,000	146,794	--	--
2025	655,000	129,970	--	--
2026	670,000	112,687	--	--
2027-2031	3,555,000	243,898	--	--
	\$ 6,705,000	\$ 1,007,960	\$ 117,947	\$ 6,683

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3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment for minimum future rental payments as of September 30, 2021.

Year Ending September 30,	Principal	Interest	Total
2022	24,433	4,056	28,489
2023	25,391	3,098	28,489
2024	26,386	2,103	28,489
2025	27,602	887	28,486
Total	\$ 103,812	\$ 10,144	113,956

H. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Pension Plan

1. Plan Description: The District provides pension, disability, and death benefits for all of its full-time employees through a statewide, agent multiple- employer, public-employee retirement system through the Texas County District Retirement System (the "TCDRS"). The system serves 738 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401 (a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.
2. Benefits Terms
 - a. 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.
 - b. The plan provides retirement, disability and survivor benefits.
 - c. 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 220%) and is then converted to an annuity.

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- d. 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.
- e. 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.

3. Contributions

The County's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Lamar 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%. Contributions to the pension plan from the county for 2020 and 2021 are as follows:

Contribution Rates	2020	2021
Employee	7%	7%
Employer	13.56%	13.56%
Fiscal year contributions:		
Employer	\$ 1,093,776	\$ 1,220,267

The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	139
Inactive employees entitled to but not yet receiving benefits	159
Active Employees	<u>201</u>
Total covered employees	499

4. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The following are the key assumptions and methods used in this GASB analysis.

Actuarial assumptions:

Valuation Timing

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial Cost Method

Entry Age Normal

Amortization Method

Recognition of economic/demographic gains or losses

Straight-Line amortization over Expected Working Life

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	5 Years
Smoothing Period	Non-asymptotic
Recognition Method	None
Corridor	
Inflation	2.50%
Salary Increases	3.00% Payroll growth for funding calculations (The payroll growth assumption is for the aggregate covered payroll of an employer.) The annual salary increases 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 3.00% (made up of 2.50% 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	7.60 % (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Lamar County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement is 61.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The discount rate was determined using an alternative method of determining the sufficiency of the fiduciary net position in all future years. The alternative method reflects the following requirements:

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefits in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

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

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities – Developed Markets	5.00%	4.25%
International Equities – Emerging Markets	6.00%	4.75%
Investment - Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 47,785,128	\$ 44,378,222	\$ 3,406,905
Changes for the year			
Service cost	1,189,653	--	1,189,653
Interest	3,873,182	--	3,873,182
Effect of plan changes gains or losses	--	--	--
Changes of assumptions	2,984,258	--	2,984,258
Contributions - employer	--	1,220,267	(1,220,267)
Contributions - employee	--	629,932	(629,932)
Net investment income	--	4,583,524	(4,583,524)
Benefit payments	(2,240,944)	(2,240,944)	--
Refund of contributions	(120,462)	(120,462)	--
Administrative expense	--	(35,418)	35,418
Other changes	--	(10,698)	10,698
Net changes	\$ 5,407,493	\$ 4,026,201	\$ 1,381,292
Balance at 12/31/2020	\$ 53,192,621	\$ 48,404,423	\$ 4,788,198

Sensitivity Analysis

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

	1% Decrease in Discount Rate	Discount Rate	1 % Increase in Discount Rate
Total pension liability	\$ 60,075,974	\$ 53,192,621	\$ 47,426,254
Fiduciary net position	\$ 48,404,423	\$ 48,404,423	\$ 48,404,423
County's net pension liability	\$ 11,671,551	\$ 4,788,198	\$ (978,169)

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the County recognized pension expense of \$1,194,200.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 159,074	\$ 208,645
Changes in actuarial assumptions	2,238,193	--
Difference between projected and actual investment earnings	--	1,628,880
Contributions subsequent to the measurement date	952,440	N/A
Total	<u>\$ 3,349,707</u>	<u>\$ 1,837,525</u>

The \$952,440 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:		
2021	\$	260,227
2022		675,004
2023		(173,285)
2024		(202,204)
2025		--
Thereafter		--

I. Other Postemployment Benefits

Plan Description: The County sponsors and administers Lamar County Retiree Health Care Plan. It is a single employer defined benefit health care plan. The County Commissioners have the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan pays a portion of the health care insurance premiums for eligible retired employees. Retirement eligibility is determined based on the Texas County and District Retirement System (TCDRS) definition. Employees are eligible to retire at age 60 and above with 8 years of service in TCDRS, with 30 years service in TCDRS at any age, or when the sum of his or her age and years of service in TCDRS equals 75. Spouses and dependents are eligible for coverage. Coverage ceases upon reaching Medicare eligibility. There are no automatic post-employment benefit changes, including automatic COLAs.

Contributions

Employees and dependents continue to pay the employee or dependent share of the premiums charged to active members. Spouses/dependents are eligible for coverage. Any spouse already covered on the plan when the retiree reaches the age of 65 or surviving spouses of retirees may continue coverage by continuing to pay the retiree and spouse premium less the amount for the retiree. Only dependents

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

covered by the employee on the county's insurance plan at the time of retirement are eligible. Members who retired before October 1, 2016, can receive coverage for their spouse by paying half the dependent premium.

The premium rates for the health care insurance for 2020-2021 fiscal year for retirees is as follows:

	Monthly Health Care Plan Premium Rates			
	Base Plan 1500		Buy UP Plan 1200	
	Employer	Retiree	Employer	Retiree
Retiree	\$ 646	\$ 37	\$ 742	\$ 37
Retiree and Spouse	742	750	742	485
Retiree and Children	742	514	742	349
Retiree and Family	742	1,424	742	874

Employees covered by benefit terms, at September 30, 2021, the following employees were covered by the benefit terms:

Membership*	
Number of:	
Retirees and Beneficiaries	22
Inactive, Nonretired Members	--
Active Members	178
Total	200

* The membership counts provided above are as of the valuation date September 30, 2020 rolled forward to September 30, 2021.

Actuarial Assumptions and Other Inputs:

Actuarial Assumptions:

Valuation Date:	Roll forward from September 30, 2020
Measurement Date of the Total OPEB Liability	September 30, 2021
Methods and Assumptions:	
Actuarial Cost Method	Entry Age
Discount Rate	2.41% as of September 30, 2020
Inflation	2.50%
Salary Increases	3.50%
Demographic Assumptions	Based on data provided by the County as of January 2021. Appropriate adjustments in this data were made for the actuarial valuation. There is no assumption for future hires.
Mortality	RPH-2014 Total Table with Projection MP-2019
Health Care Trend Rates	Level 4.50% for medical and level 1.50% for dental/vision.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Participation Rates

100% of retirees assumed to choose to receive retiree health care benefits through the County.

Discount Rate

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits is based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Fidelity GO AA 20 Yr Index is used for determining the discount rate.

Changes in the Total OPEB Liability

Total OPEB liability		
Service Cost	\$	317,329
Interest on the total OPEB liability		117,360
Difference between expected and actual experience		--
Changes of assumptions		--
Benefit payments		<u>(284,662)</u>
Net change in total OPEB liability		150,027
Total OPEB liability--beginning		<u>4,694,697</u>
Total OPEB liability--ending	\$	<u><u>4,844,724</u></u>

Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.41% as of September 30, 2020 rolled forward to September 30, 2021.

No changes in benefit terms from previous actuarial valuation.

The benefit payments during the measurement period were determined as follows:

a. Explicit benefit payments	\$	189,715
b. Implicit benefit payments	\$	<u>94,947*</u>
c. Total benefit payments	\$	<u>284,662</u>

*The .415 factor equals the ratio of the expected implicit subsidy to the expected explicit costs.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 2.41%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<u>1 % Decrease</u>	<u>Current Discount Rate Assumption</u>	<u>1 % Increase</u>
1.41%	2.41%	3.41%
\$ 4,465,388	\$ 4,844,724	\$ 5,255,707

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Current Healthcare Cost		
1% Decrease	Trend Rate Assumption	1% Increase
\$ 4,293,884	\$ 4,844,724	\$ 5,511,215

Deferred outflows and Deferred Inflows Related to OPEB

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 14,007	\$ (1,128,320)
Changes in assumptions	246,440	(220,636)
Contributions subsequent to the measurement date	--	--
Total	\$ 260,447	\$ (1,348,956)

Year Ending September 30	Net Deferred Outflows/Inflows
2022	\$ (351,425)
2023	(351,425)
2024	(351,425)
2025	(46,532)
2026	(12,298)
Thereafter	--

J. Health Care Coverage

Beginning October 1, 2013, the County has health care coverage with Blue Cross Blue Shield of Texas. The Lamar County Employee Health Plan participants are fully insured. The County contributed up to \$777 per month per employee and dependents to the Plan. The County paid up to \$1,262 for retirees and their dependents. A total of \$1,838,029 was the County's portion of cost of the health insurance for the fiscal year September 30, 2021. Employees at their option, authorized payroll with holdings for contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the County and the Plan is renewable November 1st, of each year, and the annual financial statements have been filed with the Texas State Board of Insurance. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by Contractual agreement.

K. Commitments and Contingencies

1. Contingencies

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

In May 2021 Lamar County was awarded the American Rescue Plan Act State and Local Fiscal Recovery Plan funds established by the federal government. The County was awarded \$9,684,526 with one half given during the current fiscal year and one half to be given in the upcoming fiscal year. Subsequent to year end the County has requested and received their second tranche of funding. With these funds the County will be claiming the lost revenue exemption provided by the Treasury and will be using the funds for various purposes across many departments and categories.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. Litigation

No reportable litigation was pending against the County at September 30, 2021.

L. Subsequent Events

Management has evaluated subsequent events through June 27, 2022, the date the financials were available to be distributed and noted the following events. January 2, 2022, pipes burst at the Courthouse due to the cold weather causing flood damage to the building, resulting in \$547,000 in repair cost. The County paid \$350,000 to local volunteer fire departments from their Coronavirus State and Local Fiscal Recover Funds established through the American Rescue Plan Act of 2021. In May 2022 the County purchased a tract of land for \$575,653 on North Main in Paris, Texas.

In addition, the County made several capital purchases subsequent to year end. Among those were a purchase of Road Grader for \$225,000 by Road and Bridge Precinct Two and \$363,515 to purchase and install new election voter equipment.

M. Sulphur River Region Mobility Interlocal Cooperative Agreement

Lamar County, Texas entered into an Interlocal Cooperative Agreement with the Sulphur River Region Mobility Authority ("SURRMA") effective October 10, 2012, and with other governmental entities in the area for upgrading and widening State Highway 24. The SURRMA has secured a State Infrastructure Bank Loan (SIB) for the project with Lamar County's share of the local participation being \$1,426,813. The County's payment obligations pursuant to the SIB Loans shall become due and payable not later than March 29 each year in accordance with the schedule below at a rate of 3.68% per annum. Agreement such as this are not reported as debt in the financials, but appropriately disclosed in the notes to the financial statements in accordance with Governmental Accounting Standards.

Years of Stated Maturity	Principal Amounts (\$)	Interest Amounts (\$)	Interest Rates (%)
2022	90,168	9,964	3.68%
2023	93,486	6,645	3.68%
2024	87,095	3,205	3.68%
	<u>270,749</u>	<u>19,814</u>	

N. Tax Abatements

The County enters into property tax abatement agreements with local businesses under the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code. Under the Act, localities may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the County.

For the fiscal year ended September 30, 2021, the County abated property taxes totaling \$1,726,112 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

*A 100 percent property tax abatement to a local manufacturing facility to build and purchase all machinery necessary to begin production. The abatement amounted to \$326,675.

*A 100 percent property tax abatement for a local company for the construction of a solar farm. The abatement amounted to \$696,588.

LAMAR COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

O. Prior Period Adjustment – Other Governmental Fund

During the current audit, it was determined that the September 30, 2020, fund balance of the Other Governmental Funds was overstated by \$120,840. This amount has been properly reflected in the current financial statements as a prior period adjustment which decreased the beginning equity amounts on the financial statements by \$120,840. The overstatement was the result of revenue being reported on a grant which instead should have been reported as unearned revenue at September 30, 2020 because the revenue recognition standard had not been met.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

LAMAR COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 9,519,453	\$ 9,667,231	\$ 10,782,910	\$ 1,115,679
Other Taxes	3,250,000	3,250,000	4,504,139	1,254,139
Intergovernmental Receipts	296,200	331,850	485,321	153,471
Fees of Office	1,166,125	1,166,125	1,429,038	262,913
Fines	240,000	240,000	120,791	(119,209)
Interest	190,000	190,000	114,803	(75,197)
Miscellaneous	114,230	406,266	485,381	79,115
Total revenues	<u>14,776,008</u>	<u>15,251,472</u>	<u>17,922,383</u>	<u>2,670,911</u>
Expenditures:				
Current:				
General Administration	2,436,410	2,517,230	2,451,785	65,445
Financial Administration	1,465,311	1,481,677	1,375,979	105,698
Judicial	1,936,056	1,993,253	1,884,127	109,126
Legal	791,657	807,800	760,312	47,488
Elections	225,470	441,211	423,694	17,517
Public Safety	6,986,239	7,087,722	6,352,522	735,200
Public Welfare	1,584,412	1,584,412	1,239,904	344,508
Conservation and Agriculture	132,508	132,715	120,124	12,591
Public Facilities	985,662	1,027,305	777,855	249,450
Emergency Management	118,635	133,195	319,399	(186,204)
Capital outlay	635,915	567,220	427,748	139,472
Total expenditures	<u>17,298,275</u>	<u>17,773,740</u>	<u>16,133,448</u>	<u>1,640,292</u>
Excess (deficiency) of revenues (under) expenditures	(2,522,267)	(2,522,268)	1,788,935	4,311,203
Other financing sources (uses):				
Transfers in	73	73	--	(73)
Transfers out	(1,156,203)	(1,156,203)	(101,678)	(1,054,525)
Total other financing sources (uses)	<u>(1,156,130)</u>	<u>(1,156,130)</u>	<u>(101,678)</u>	<u>(1,054,452)</u>
Net change in fund balances	(3,678,397)	(3,678,398)	1,687,257	5,365,655
Fund balances/equity, October 1	12,880,406	12,880,406	12,880,406	--
Fund balances/equity, September 30	<u>\$ 9,202,009</u>	<u>\$ 9,202,008</u>	<u>\$ 14,567,663</u>	<u>\$ 5,365,655</u>

LAMAR COUNTY, TEXAS
ROAD & BRIDGE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 2,686,352	\$ 2,727,066	\$ 2,970,245	\$ 243,179
Intergovernmental Receipts	--	267,300	377,161	109,861
Fees of Office	832,000	832,000	870,388	38,388
Fines	100,000	100,000	119,835	19,835
Interest	12,000	12,000	3,832	(8,168)
Miscellaneous	--	203,634	90,831	(112,803)
Total revenues	<u>3,630,352</u>	<u>4,142,000</u>	<u>4,432,292</u>	<u>290,292</u>
Expenditures:				
Current:				
Public Transportation	4,452,958	4,899,628	3,834,565	1,065,063
Capital outlay	392,500	457,478	307,951	149,527
Principal	81,639	81,639	81,627	12
Interest and fees	9,177	9,177	9,177	--
Total expenditures	<u>4,936,274</u>	<u>5,447,922</u>	<u>4,233,320</u>	<u>1,214,602</u>
Excess (deficiency) of revenues (under) expenditures	(1,305,922)	(1,305,922)	198,972	1,504,894
Other financing sources (uses):				
Transfers in	112,000	112,000	--	(112,000)
Proceeds from Sales of Capital Assets	--	--	126,948	126,948
Total other financing sources (uses)	<u>112,000</u>	<u>112,000</u>	<u>126,948</u>	<u>(14,948)</u>
Net change in fund balances	(1,193,922)	(1,193,922)	325,920	1,519,842
Fund balances/equity, October 1	1,419,791	1,419,791	1,419,791	--
Fund balances/equity, September 30	<u>\$ 225,869</u>	<u>\$ 225,869</u>	<u>\$ 1,745,711</u>	<u>\$ 1,519,842</u>

LAMAR COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 1,189,653	\$ 1,125,083	\$ 1,100,424	\$ 1,140,140	\$ 1,170,681	\$ 1,062,160	\$ 1,027,821
Interest (on the total pension liability)	3,873,182	3,650,137	3,442,075	3,259,731	3,045,080	2,896,381	2,706,809
Changes of benefit terms	-	-	-	-	-	(198,814)	-
Difference between expected and actual experience	(278,194)	228,894	178,518	(188,689)	(228,202)	(560,951)	19,162
Change of assumptions	2,984,258	-	-	124,585	-	384,372	-
Benefit payments, including refunds of employee contributions	(2,361,406)	(2,270,447)	(2,087,137)	(2,004,256)	(1,807,060)	(1,615,856)	(1,430,157)
Net Change in Total Pension Liability	5,407,493	2,733,667	2,633,880	2,331,511	2,180,499	1,967,292	2,323,635
Total Pension Liability - Beginning	47,785,128	45,051,461	42,417,581	40,086,070	37,905,571	35,938,279	33,614,644
Total Pension Liability - Ending (a)	\$ 53,192,621	\$ 47,785,128	\$ 45,051,461	\$ 42,417,581	\$ 40,086,070	\$ 37,905,571	\$ 35,938,279
Plan Fiduciary Net Position							
Contributions - employer	\$ 1,220,267	\$ 1,112,874	\$ 1,067,907	\$ 100,311	\$ 972,762	\$ 954,993	\$ 902,168
Contributions - employee	629,932	616,795	588,614	568,363	560,589	540,420	511,356
Net Investment Income	4,583,524	6,343,066	(747,013)	5,128,005	2,446,067	(193,371)	2,132,136
Benefit payments, including refunds of employee contributions	(2,361,406)	(2,270,447)	(2,087,137)	(2,004,256)	(1,807,060)	(1,615,856)	(1,430,157)
Administrative expense	(35,418)	(33,818)	(31,021)	(26,495)	(26,560)	(23,928)	(24,985)
Other	(10,698)	(12,333)	(8,827)	(6,087)	8,375	(109,588)	4,777
Net Change in Plan Fiduciary Net Position	4,026,201	5,756,137	(1,217,477)	3,759,841	2,154,173	(447,330)	2,095,295
Plan Fiduciary Net Position - Beginning	44,378,222	38,622,085	39,839,563	35,179,721	33,025,548	33,472,878	31,377,582
Plan Fiduciary Net Position - Ending (b)	\$ 48,404,423	\$ 44,378,222	\$ 38,622,086	\$ 38,939,562	\$ 35,179,721	\$ 33,025,548	\$ 33,472,877
Net Pension Liability - Ending (a) - (b)	\$ 4,788,198	\$ 3,406,906	\$ 6,429,375	\$ 3,478,019	\$ 4,906,349	\$ 4,880,023	\$ 2,465,402
Plan Fiduciary Net Position as a Percentage of Total Pension	91.00%	92.87%	85.73%	91.80%	87.76%	87.13%	93.14%
Covered Payroll	\$ 8,999,034	\$ 8,811,354	\$ 8,408,765	\$ 8,119,472	\$ 7,966,912	\$ 7,720,291	\$ 7,305,090
Net Pension Liability as a Percentage of Covered Payroll	53.21%	38.66%	76.46%	42.84%	61.58%	63.21%	33.75%

LAMAR COUNTY, TEXAS
 SCHEDULE OF PENSION CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,288,032	\$ 1,188,698	\$ 1,093,776	\$ 1,052,307	\$ 983,377	\$ 969,753	\$ 905,629
Contributions in relation to actuarially determined contribution	(1,288,032)	(1,188,698)	(1,093,776)	(1,052,307)	(983,377)	(969,753)	(905,629)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,498,769	\$ 8,931,309	\$ 8,647,402	\$ 8,352,998	\$ 8,050,965	\$ 7,914,579	\$ 7,323,963
Contributions as a percentage of covered payroll	13.56%	13.31%	12.65%	12.60%	12.21%	12.25%	12.37%

LAMAR COUNTY, TEXASSCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 317,329	\$ 337,130	\$ 337,130	\$ 337,130
Interest (on the total OPEB liability)	117,360	131,246	212,461	229,662
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(75,140)	(2,141,614)	26,352
Change of assumptions	-	(328,790)	223,335	252,165
Benefit payments, including refunds of employee contributions	(284,662)	(284,662)	(270,322)	(301,400)
Net Change in Total OPEB Liability	150,027	(220,216)	(1,639,010)	543,909
Total OPEB Liability - Beginning	4,694,697	4,914,913	6,553,923	6,010,014
Total OPEB Liability - Ending	<u>\$ 4,844,724</u>	<u>\$ 4,694,697</u>	<u>\$ 4,914,913</u>	<u>\$ 6,553,923</u>
Covered Payroll	\$ 7,442,832	\$ 7,442,832	\$ 7,333,173	\$ 7,765,303
Total OPEB Liability as a Percentage of Covered Payroll	65.09%	63.08%	67.02%	84.40%

LAMAR COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Budget)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Budgetary Data

The official budget was prepared for adoption for the General Fund and the Road and Bridge Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in financial statements.

a. Prior to beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year beginning. The operating budget includes proposed expenditures and the means of financing them. b. A meeting of the Commissioners' Court is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.

c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioner's Court.

Once a budget is approved, it can be amended only by approval of a majority of the Commissioners' Court. Amendments are presented to the Commissioners' Court at its regular meetings. Each amendment must have the Commissioners' Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court and are not made after fiscal year end. During the year, the budget was amended as necessary. There were no significant amendments passed during the fiscal year. The budget is prepared on the modified accrual basis.

The legal *level* of budgetary control (*level* at which the governing body must approve any *over* expenditure) is at the category *level*. Categories are defined as: Personal Services, Supplies & Materials, Other Services & Charges, and Capital Outlay. Budget to actual comparisons are presented in the financial statements at the function *level*; however, a budget to actual comparison by category is available from the Lamar County Auditor's office at 119 North Main Street, Room 202, Paris, Texas 75462.

Excess of Expenditures *Over* Appropriations in Major Governmental Funds: The County expenditures did exceed appropriations in Emergency Management by \$186,204. Management is aware and it is under consideration. The overage was due to

The following funds had legally adopted budgets:

General	Alternative Dispute Resolution
Road and Bridge	District Clerk Records Management
Estray and Jury	Victims Coordinator Grant
State Aid Grant	State Homeland Security Grant
Lateral Road	Juvenile Probation Title IV
Law Library	Justice Court Technology and Assistance
County Clerk Records Management	Community Programs Grant
Indigent Health Care	Juvenile Delinquency Prevention
Court House Security	Permanent Improvement
County Records Management	Commitment Reduction Grant
County Clerk Records Archive	Texas Parks & Wildlife Trails Fund Grant
District Clerk Records Technology	Judicial District Fund
Court Records Preservation	County and District Court Technology
Mental Health Services Grant	Certificates of Obligation 2011
TXDOT TAP Lamar Chaparral Trail Fund	Certificates of Obligation 2016
TDEM Coronavirus Relief Grant	Regionalization Grant
Help America Vote Act Grant	Certificate of Obligations – Debt Service Fund
Justice Assistance Grant	

Budgets for the funds listed *above* are adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting.

LAMAR COUNTY, TEXAS

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which 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	0.0 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-yr smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of 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.

Other Information:

There were no benefit changes during the year.

LAMAR COUNTY, TEXAS

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date: September 30, 2020 rollforward using a measurement date of September 30, 2021

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Straight-line amortization of expected working life
Asset Valuation Method	NA
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	3.44%, based on 20-year Bond GO Index published by bondbuyer.com as of December 28, 2017
Retirement Age	The average age at service retirement for recent retirees is 61.
Mortality	RPH-2014 Total Table with Projection MP-2019
Other Information:	There were no benefit changes during the year.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
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Members of
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Elizabeth Hamm, CPA
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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 County Judge of Lamar County, and Honorable Members of the Lamar County
Commissioners Court
Lamar County, Texas

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 Lamar County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Lamar County, Texas' basic financial statements, and have issued our report thereon dated June 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamar County, Texas' internal control over financial reporting (internal control) to determine the 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 Lamar County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Lamar County, Texas' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and questions cost as finding 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Texas' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

June 27, 2022
Paris, Texas

Maloney, McNeal & Company PC

Certified Public Accountants

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Honorable County Judge of Lamar County, and Honorable Members of the Lamar County Commissioners Court
Lamar County Texas

Report on Compliance for Each Major Federal Program

We have audited the Lamar County, Texas ("the County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as finding 2021-002, that we consider to be a material weakness.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned cost. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maenery, McNeal & Company PC

Certified Public Accountants

June 27, 2022
Paris, Texas

LAMAR COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: 2021 Addendum 1

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	CARES Act Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

LAMAR COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

B. Financial Statement Findings

Finding: 2021-001

Criteria:

Segregation of duties and ongoing monitoring of the general ledger, its adjustments, balances, and the relationships between the many funds and offices of the County are crucial to proper financial reporting as well as the effort to prevent, detect, and correct errors in the financial reporting as well as fraud.

Condition:

We noted a material weakness in internal control-related financial processes as well as to the month-end and year-end financial statement close.

Cause:

The cause of the deficiency appears to be a lack of overall internal control procedures and segregation of duties along with the insufficient month and year-end financial general ledger monitoring and close. Internal controls over general ledger adjusting entries, bank, and general ledger review were not effectively designed or implemented

Effect:

There were errors in the general ledger reporting, and delays in the reconciliation of some bank statements. There were discrepancies in the reporting of grant activity and the general ledger fund reporting. Cash, checks, and money orders of the citation service performed by the Sheriff's Office were undeposited for the entire year under audit. There was no established internal control to prevent errors, irregularities, or noncompliance. The County Auditor did not conduct internal audits of any county offices during the year.

Recommendation:

We recommend the following:

1. All cash, checks, and money orders should be deposited weekly.
2. The County Auditor should conduct an internal audit of each office twice per year and report findings at Commissioners Court meetings.
3. Grant reporting should be reconciled monthly to the appropriate fund or general ledger account.
4. Segregation of duties, secondary review and approval process should be designed and implemented for all financial transactions and reports.

LAMAR COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

C. Federal Award Findings and Questioned Costs

Finding 2021-002

Assistance Listing Number:

21.019

Program:

Coronavirus Relief Fund

Federal Agency:

U.S. Department of the Treasury

Pass-Through Entity:

Texas Department of Emergency Management

Finding:

Material Weakness in Internal Control Over Compliance

Criteria, Condition, Cause:

See finding 2021-001

Effect:

As result of the United States Treasury and the Texas Department of Emergency Management (TDEM) changing the parameters of the allowable cost for grant expenditures the County Auditor changed the initial plan of what transactions would be claimed and reported as grant expenditures. New parameters were thought to be less burdensome on the County to claim the expenditures under the new parameters. The budget within the fund established to report the transactions was not amended. The expenditures reported in the general ledger fund 545 were not the ones reported to TDEM. The expenditures budgeted as well as the expenditures reported to TDEM all appeared to be allowable grant expenditures, however we found no internal controls in place to prevent, detect or deter any unallowable cost from being charged to the program. As part of the audit adjustments, the expenditures were moved to their proper fund.

Recommendation:

Proper segregation of duties, secondary approval, and review should be established over grant activity, reporting, and compliance. We recommend the County establish a compliance officer position. This position would work with the County Auditor and Commissioners to assure proper internal controls over compliance.



COUNTY AUDITOR
OF
LAMAR COUNTY

Summary Schedule of Prior Audit Findings

As a result of the material weaknesses in internal control which were identified during our previous external audit for the year ended September 30, 2020, the following corrective actions have implemented by Lamar County.

Finding: 2019-001 & 2020-001

The September 30, 2019 audit disclosed a material weakness in internal control procedures related to financial processes as well as month end and year end financial statement closing procedures of the Jail Commissary related funds. This was partially corrected in 2020 but remained on our corrective action plan since it was not fully corrected at that time. Our progress of corrective action is reported below:

Finding: 2019-001 & 2020-001

1. Month end and year end processes and procedures (partially corrected)

Recommendations: Bank statements should be received by the County Treasurer's Office in a timely manner and bank reconciliations should be performed monthly on each account for which the County is responsible, and all activity should be posted monthly to the general ledger. All items on the bank reconciliation should be investigated and verified. It was also recommended that all vendor invoices provided to the treasurer and have all price changes to inventory items reviewed and signed off by the Sheriff.

Action Taken: During the fiscal year, the bank reconciliations were performed promptly and items were property verified. Activity was also posted to the general ledger each month. Therefore, this action is no longer needed as part of our corrective actions for the 2021 fiscal year. During the current year we chose not to have the vendor invoices sent to the treasurer's office as we felt the filing system that the jail commissary clerk is using is sufficient and these invoices are reviewed by our office during our internal audit testing. In our judgement, the danger of invoices getting lost in transit outweighed the benefit that having the invoices brought to the courthouse would have. Also, there were no price changes requiring the Sheriff to sign off.

The September 30, 2020 audit disclosed a material weakness in internal control procedures related to TJJD State Juvenile Probation Grants funds. Our progress of corrective action is reported below:

Finding: 2020-002

1. Reconciling regulatory basis to GAAP basis (corrected)

Recommendations: Chief Juvenile Probation Officer should inform the County Treasurer and County Auditor of any funds applied for during the fiscal year, after which the proper reporting in both the general ledger and grant reports can be decided. Also, the County is to keep a subsidiary ledger on the regulatory basis that reconciles to the GAAP basis reporting within the funds of the County general ledger.

Action Taken or Planned: The Chief Juvenile Probation Officer did continually inform the County Treasurer and County Auditor that there were no additional funds requested at any point throughout the year. Therefore, no reconciliation was needed.

Finding: 2020-003

1. Reconciling regulatory basis to GAAP basis (corrected)

Recommendations: The County is to keep a subsidiary ledger on the regulatory basis that reconciles to the GAAP basis reporting within the funds of the County general ledger.

Action Taken or Planned: The Chief Juvenile Probation Officer did continually inform the County Treasurer and County Auditor that there were no additional funds requested at any point throughout the year. Therefore, no reconciliation was needed.

Finding: 2020-004

1. Purchasing Policies update (not corrected)

Recommendations: The County is to update its purchasing policy and distribute the updated policy to the elected officials.

Action Taken or Planned: The auditor did not update the purchasing policy during this fiscal year and will plan to take action on this item during the next fiscal year.

Kayla Hall
Lamar County Auditor



COUNTY AUDITOR
OF
LAMAR COUNTY

**Lamar County
Corrective Action Plan
For the Year End September 30, 2021**

As a result of the material weaknesses in internal control which were identified during our most recent external audit for the year ended September 30, 2021, the following corrective actions will be taken by Lamar County henceforth.

Finding 2021-001

Month-end and year-end financial statement close

Recommendations: It has been recommended that the auditor implement a policy that all cash, checks and money orders be deposited weekly, that the Auditor conduct an internal audit of each office twice per year and report findings to the Commissioners' Court, and that grant reporting be reconciled monthly to general ledger.

Action Taken or Planned: The auditor will notify all offices of the new deposit rule and check periodically to ensure this rule is being followed. In addition, the Auditor's office now has a 2nd Assistant Auditor on staff who is helping to facilitate the implementation of these recommendations by working on an internal audit schedule for the county offices. The auditor will be reconciling grant reporting monthly moving forward.

Responsible Party: Kayla Hall, County Auditor

Anticipated Completion Date: July 31, 2022

Finding 2021-002

Texas Department of Emergency Management Coronavirus Relief Grant

Recommendations: It has been recommended that the auditor implement increased segregation of duties, secondary approval, and review over grant activity, reporting, and compliance and that the County establish a compliance officer position.

Action Taken or Planned: Due to the budgetary constraints that hinder the county's ability to create a new position for the compliance officer, the auditor and 2nd assistant auditor are working together to verify compliance and internal controls over grant funding.

Responsible Party: Kayla Hall, County Auditor

Anticipated Completion Date: July 31, 2021

Kayla Hall
Lamar County Auditor

LAMAR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Assistance Listing <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the Bureau of Justice Assistance			
BJA CARES Grant	16.034	2020VDBX1779	\$ 54,581
Passed Through City of Paris, Texas			
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-H3821-TX-DJ	<u>6,688</u>
Total U.S. Department of Justice			<u>61,269</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of Protective and Regulatory Services:			
Foster Care Maintenance Title IV-E - ARRA	93.658	27100	<u>4,287</u>
Total U.S. Department of Health and Human Services			<u>4,287</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Payments in Lieu of Taxes	15.226	N/A	55,252
Passed Through the Office of Fish and Wildlife Service:			
National Wildlife Refuge Fund	15.659	N/A	<u>222</u>
Total U.S. Department of the Interior			<u>55,474</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Office of the Governor – Homeland Security Grants Division			
Homeland Security Grant Program	97.067	3632702	3,911
Homeland Security Grant Program	97.067	3596102	1,780
Homeland Security Grant Program	97.067	4080401	10,000
Homeland Security Grant Program	97.067	4062501	34,891
Homeland Security Grant Program	97.067	4080601	<u>14,940</u>
Total U.S. Department of Homeland Security			<u>65,522</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOP.</u>			
Passed Through Texas Department of Agriculture:			
Community Development Block Grant	14.228	7218279	<u>267,300</u>
Total U.S. Department of Housing & Urban Development			<u>267,300</u>
<u>U.S ELECTION ASSISTANCE COMMISSION</u>			
Passed Through Programs, Texas Secretary of State			
2020 Help America Vote Act (HAVA) Cares Act	90.404	TX20101CARES-139	18,398
Elections Security Grant	90.404	TX18101001-01-140	<u>120,000</u>
Total U.S. Election Assistance Commission			<u>138,398</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
American Rescue Plan	21.027		50,000
Passed Through Texas Department of Emergency Management			
CARES Act Coronavirus Relief Fund	21.019	20	<u>957,955</u>
Total U.S. Department of the Treasury			<u>1,007,955</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,600,205</u>

Lamar County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lamar County, Texas (the "County"), under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets of the County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Program Costs/Matching Contributions

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, may be more than shown.