

STERLING COUNTY,
TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30,2021



Roberts & McGee CPA

STERLING COUNTY, TEXAS
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court
Sterling County, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of

Sterling County, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-9 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

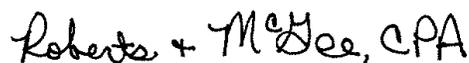
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sterling County, Texas' basic financial statements. The other supplementary schedules on pages 43-48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of Sterling County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sterling County, Texas' internal control over financial reporting and compliance.


Roberts & McGee, CPA

Abilene, Texas
February 11, 2022

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

Financial Highlights

Government-Wide Financial Statements

- The assets of the governmental activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$12,946,364 (*net position*). Of this amount, \$5,144,001 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$6,067,168 of the County's equity is invested in capital assets, net of related debt; and \$1,735,195 of the County's equity is restricted for special revenue funds and debt service.
- The assets of the business-type activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$1,808,167 (*net position*). Of this amount, \$1,196,887 (*unrestricted*) may be used to meet the government's ongoing obligations. \$611,280 of the County's equity is invested in capital assets.
- The net position (*equity*) of the governmental activities of the County increased by \$98,786 during the 2021 fiscal year, and net position (*equity*) of the business-type activities of the County decreased by \$103,297 during the 2021 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, Sterling County's general fund reported an ending unassigned fund balance of \$4,680,819. This fund balance reflects an increase of \$353,096 over the prior year unassigned fund balance.
- In the road & bridge fund, the fund balance increased \$82,602 for the current year.
- The proprietary fund which reports on the operations of the nursing home reflects a decrease in net position for the current year of \$103,297.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sterling County's basic financial statements. Sterling County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Sterling County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Sterling County include general administration, judicial, legal, public facilities, road and bridge, public safety, health and welfare, and other supported services. The government-wide financial statements can be found on pages 10-11 of this report.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Fund Financial Statements

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Sterling County has four governmental fund types which are the general fund, special revenue funds, capital projects fund, and debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road & bridge fund, capital projects fund, and debt service fund, which are considered to be major funds. Data from the other non-major governmental funds is combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. The governmental fund financial statements can be found on pages 12-17 of this report.

Sterling County adopts an annual appropriated budget for the general fund, the road & bridge fund, and various other special revenue funds. Budgetary comparison schedules have been provided for the general fund and the road & bridge fund to demonstrate compliance with the budgets on pages 38-39.

Proprietary funds. Sterling County maintains one proprietary fund which is the Nursing Home Fund. This fund charges for the services it provides to residents of the nursing home. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's proprietary fund is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as agency funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statements can be found on pages 21-22.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

Other information. The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 43-46 of this report. Combining financial statements for the aggregated component units are also provided as other supplemental information and can be found on pages 47-48.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sterling County, assets exceeded liabilities by \$12,946,364 in the governmental activities and \$1,808,167 in the business-type activities at the close of the most recent fiscal year.

\$6,678,448 of Sterling County's total net position (45 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. Sterling County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Sterling County's Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 17,689,404	\$ 6,234,661
Non-current assets	7,220,581	6,764,588
Total Assets	24,909,985	12,999,249
Deferred Outflows - Pension	387,863	340,728
Total Assets and Deferred Outflows	25,297,848	13,339,977
Current liabilities	1,861,620	91,165
Long-term liabilities	10,126,055	-
Total Liabilities	11,987,675	91,165
Deferred Inflows - Pension	363,809	401,234
Total Liabilities and Deferred Inflows	12,351,484	492,399
Net investment in capital assets	6,067,168	6,290,252
Restricted	1,735,195	1,693,730
Unrestricted	5,144,001	4,863,596
Total Net Position	\$ 12,946,364	\$ 12,847,578

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Sterling County's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for services	\$ 845,475	\$ 762,812
Operating grants & contributions	820,513	402,597
General Revenues		
Property taxes	3,728,051	4,684,415
Investment earnings	13,062	33,210
Other income	110,450	100,684
Transfers	(712,162)	(732,374)
Total Revenues	4,805,389	5,251,344
Expenses		
General government	786,518	712,739
Road and bridge	1,111,641	689,077
County judge	96,225	93,577
County and district clerk	167,609	168,211
Justice of the peace	110,799	104,822
County attorney	103,104	93,446
County treasurer	74,208	69,434
County tax collector	108,371	104,871
County building operations	326,062	176,833
County sheriff	538,632	534,659
County agent	64,668	62,561
Trapper	76,800	76,800
Senior citizens	37,400	37,400
Volunteer fire department	160,233	112,363
EMS	362,572	334,646
Clinic	373,836	406,050
Interest and debt issuance costs	207,925	5,411
Total expenses	4,706,603	3,782,900
Change in Net Position	98,786	1,468,444
Beginning Net Position	12,847,578	11,379,134
Ending Net Position	\$ 12,946,364	\$ 12,847,578

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, Sterling County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Sterling County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Sterling County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Sterling County's governmental general fund reported an ending fund balance of \$4,766,336 which is generally unassigned and available for spending at the County's discretion. The road and bridge fund reported an ending fund balance of \$1,152,478 which is restricted for road and bridge operations.

Fund Budgetary Highlights

The original budget for the general fund reflected a surplus of \$6,400. The adjusted budget reflected a surplus of \$55,834. The actual expenditures were \$334,356 less than the final budgeted amounts, and actual revenues were \$60,633 less than was budgeted.

The original and the final amended budgets for the road and bridge fund reflect a balanced budget. The actual expenditures were \$159,360 less than the final budgeted amounts, and actual revenues were \$76,758 less than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Sterling County's investment in capital assets for its governmental activities amounts to \$6,920,311 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$611,280 (net of accumulated depreciation) as of September 30, 2021. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**Sterling County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2021	2020
Land	\$ 6,238	\$ 6,238
Buildings and improvements	762,697	792,719
Infrastructure	3,098,713	3,214,062
Equipment	1,292,549	1,087,829
Vehicles	1,091,808	1,189,404
Construction in progress	668,306	
Total	\$ 6,920,311	\$ 6,290,252

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

**Sterling County's Capital Assets
(net of depreciation)**

	Business-Type Activities	
	2021	2020
Buildings and improvements	\$ 573,596	\$ 613,214
Furniture and equipment	37,684	58,339
Total	\$ 611,280	\$ 671,553

Additional information on Sterling County's capital assets can be found in Note 5 on pages 30 and 31 of this report.

Debt Administration

Sterling County issued long-term debt in the form of tax notes and certificates of general obligation during the year ended September 30, 2021 within the governmental activities of the County. There was no outstanding debt as of September 30, 2020.

Additional information on Sterling County's long-term debt can be found in Note 6 on page 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sterling County adopted a 2021 property tax rate effective for its 2022 fiscal year of 0.617636 per \$100 property valuation. This is compared to the 2020 tax rate of .459488 per \$100 property valuation. The 2020 tax rate was all for maintenance and operations since the debt was paid off in the year ended September 30, 2020. The 2021 tax rate includes a rate of \$0.456531 for maintenance and operations and \$0.161105 for debt service.
- The 2022 fiscal year budget was approved by the County in September 2021. The General Fund budgeted revenue for FY 2021 are \$4,125,282 which is comparable to the FY 2021 budgeted revenues of \$4,361,128.

Requests for Information

This financial report is designed to provide a general overview of Sterling County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Sterling County, Box 819, Sterling City, Texas 76951.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current:				
Cash and cash investments	\$ 15,207,591	\$ 663,003	\$ 15,870,594	\$ 72,550
Investments	2,120,000		2,120,000	
Property tax receivable, net	24,709		24,709	
Accounts receivable, net	81,320	147,098	228,418	
Accrued interest receivable	5,189		5,189	
Grant receivable	82,000	85,636	167,636	
Other receivables	83,078		83,078	
Prepaid insurance	85,517	45,516	131,033	
Total current assets	<u>17,689,404</u>	<u>941,253</u>	<u>18,630,657</u>	<u>72,550</u>
Non-current:				
Capital assets				
Non-depreciable capital assets	674,544		674,544	
Depreciable capital assets, net	6,245,767	611,280	6,857,047	340,448
Net pension asset	300,270	355,344	655,614	
Total non-current assets	<u>7,220,581</u>	<u>966,624</u>	<u>8,187,205</u>	<u>340,448</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	387,863	458,999	846,862	
Total Assets and Deferred Outflows of Resources	<u>25,297,848</u>	<u>2,366,876</u>	<u>27,664,724</u>	<u>412,998</u>
LIABILITIES				
Current:				
Accounts payable	806,851	53,713	860,564	2,054
Accrued payroll expenses		65,368	65,368	
Accrued interest expense	36,025		36,025	
Due to other governmental entities	74,744		74,744	
Due to others		9,093	9,093	
Long term liabilities:				
Due within one year	944,000		944,000	
Due after one year:				
Tax and general obligation bonds	10,126,055		10,126,055	
Total Liabilities	<u>11,987,675</u>	<u>128,174</u>	<u>12,115,849</u>	<u>2,054</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue				
Deferred inflows - pension	363,809	430,535	794,344	
NET POSITION				
Net investment in capital assets	6,067,168	611,280	6,678,448	340,448
Restricted	1,735,195		1,735,195	
Unrestricted	5,144,001	1,196,887	6,340,888	70,496
Total Net Position	<u>\$ 12,946,364</u>	<u>\$ 1,808,167</u>	<u>\$ 14,754,531</u>	<u>410,944</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 786,518	\$ 24,748	\$ 572,491	\$
Road and bridge	1,111,641	113,368	226,738	
County judge	96,225	19,643	16,388	
County and district clerk	167,609	32,659	4,612	
Justice of the peace	110,799	349,887		
County attorney	103,104			
County treasurer	74,208			
County tax collector	108,371	15,229		
County building operations	326,062			
County sheriff	538,632	4,525	284	
County agent	64,668			
Trapper	76,800			
Senior citizens	37,400			
Volunteer fire department	160,233			
EMS	362,572	144,299		
Clinic	373,836	141,117		
Interest and debt issuance costs	207,925			
Total governmental activities	4,706,603	845,475	820,513	
Business-type activities:				
Nursing home operations	3,274,798	1,939,157	515,052	
Total business-type activities	3,274,798	1,939,157	515,052	
Total Primary Government	\$ 7,981,401	\$ 2,784,632	\$ 1,335,565	\$
Component Units:				
Fire Department	\$ 48,255	\$	\$ 55,330	\$
Senior Citizens	66,279	7,716	44,386	
Total component units	\$ 114,534	\$ 7,716	\$ 99,716	\$

General revenues:

Property taxes

Investment earnings

Other income

Transfers

Total general revenues

Change in net position

Net position - beginning

Adjustment to beginning net position

Net position - ending

The accompanying notes are an integral part of the financial statements.

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
\$ (189,279)		
(771,535)		
(60,194)		
(130,338)		
239,088		
(103,104)		
(74,208)		
(93,142)		
(326,062)		
(533,823)		
(64,668)		
(76,800)		
(37,400)		
(160,233)		
(218,273)		
(232,719)		
(207,925)		
<u>(3,040,615)</u>		
	\$ <u>(820,589)</u>	
	<u>(820,589)</u>	
<u>(3,040,615)</u>	<u>(820,589)</u>	
		\$ 7,075
		<u>(14,177)</u>
		<u>(7,102)</u>
3,728,051		
13,062		7
110,450	5,130	7,196
(712,162)	712,162	
<u>3,139,401</u>	<u>717,292</u>	<u>7,203</u>
98,786	(103,297)	101
12,847,578	1,855,769	410,843
	55,695	
<u>\$ 12,946,364</u>	<u>\$ 1,808,167</u>	<u>\$ 410,944</u>

STERLING COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Cash and cash investments	\$ 2,861,378	\$ 1,147,707	\$ 10,885,218
Investments	1,800,000		
Due from agency funds	55,311		
Property tax receivable, net	21,907		
Accounts receivable, net	76,489	4,831	
Grants receivable	82,000		
Other receivable	23,738		
Accrued interest receivable	4,869		
Prepaid insurance	85,517		
	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>5,011,209</u>	\$ <u>1,152,538</u>	\$ <u>10,885,218</u>
 LIABILITIES			
Liabilities:			
Accounts payable	\$ 119,590	\$ 60	\$ 668,306
Accrued interest payable			
Due to state	74,744		
Total liabilities	<hr/> 194,334 <hr/>	<hr/> 60 <hr/>	<hr/> 668,306 <hr/>
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	50,539		
Total deferred inflows of resources	<hr/> 50,539 <hr/>	<hr/> <hr/>	<hr/> <hr/>
 FUND BALANCE			
Nonspendable for prepaids	85,517		
Restricted:			
Special revenue		1,152,478	
Capital projects			10,216,912
Debt service			
Unassigned	4,680,819		
Total fund balance	<hr/> 4,766,336 <hr/>	<hr/> 1,152,478 <hr/>	<hr/> 10,216,912 <hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>5,011,209</u>	\$ <u>1,152,538</u>	\$ <u>10,885,218</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash investments	\$ 37,176	\$ 276,112	\$ 15,207,591
Investments		320,000	2,120,000
Due from agency funds		4,029	59,340
Property tax receivable, net	2,802		24,709
Accounts receivable, net			81,320
Grants receivable			82,000
Other receivable			23,738
Accrued interest receivable		320	5,189
Prepaid insurance			85,517
Total Assets	\$ 39,978	\$ 600,461	\$ 17,689,404
 LIABILITIES			
Liabilities:			
Accounts payable	\$	\$ 18,895	\$ 806,851
Accrued interest payable	36,025		36,025
Due to state			74,744
Total liabilities	36,025	18,895	917,620
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	2,802		53,341
Total deferred inflows of resources	2,802	-	53,341
 FUND BALANCE			
Nonspendable for prepaids			85,517
Restricted:			
Special revenue		581,566	1,734,044
Capital projects			10,216,912
Debt service	1,151		1,151
Unassigned		-	4,680,819
Total fund balance	1,151	581,566	16,718,443
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 39,978	\$ 600,461	\$ 17,689,404

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

Total fund balances - governmental funds	\$	16,718,443
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet. At the beginning of the year, the cost of these assets was \$10,143,738 and the accumulated depreciation was \$3,853,486.</p>		6,290,252
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		1,240,516
<p>Book value of capital assets disposed in current year</p>		(24,782)
<p>Depreciation expense decreases net position, but is not recorded in the fund financial statements.</p>		(585,675)
<p>Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position.</p>		(11,070,055)
<p>Deferred revenue are recorded in the fund financial statements, but the revenue is recognized in the governmental-wide financial statements.</p>		53,341
<p>Included on the government-wide financial statements is the recognition of the County's proportionate share of the net pension asset of \$300,270, and a deferred outflow of resources of \$387,863, and a deferred inflow of \$363,809. The net effect is to increase net position.</p>		<u>324,324</u>
Net position of governmental activities - statement of net position	\$	<u><u>12,946,364</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING 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	Capital Projects Fund
REVENUES			
Property taxes	\$ 3,101,325	\$ 569,098	\$
Licenses and permits		111,967	
Fees	59,292	1,401	
Fines and forfeitures	346,420		
Clinic revenue	141,117		
Investment earnings	9,788	586	867
Rental revenues	2,400		
Intergovernmental	572,491	226,738	
EMS revenue	144,299		
Miscellaneous	97,247	37,984	
Total revenues	4,474,379	947,774	867
EXPENDITURES			
Current:			
General government	667,224		
Road and bridge		837,042	15,000
County judge	91,334		
County and district clerk	160,026		
Justice of the peace	105,592		
County attorney	98,423		
County treasurer	70,978		
County tax collector	103,994		
County building operations	232,870		
County sheriff	478,052		
County agent	54,480		
Trapper	76,800		
Senior citizens	37,400		
Volunteer fire department	50,000		
Clinic	353,129		
EMS	290,755		
Capital outlay	544,080	28,130	668,306
Debt service			
Total expenditures	3,415,137	865,172	683,306
Excess (deficiency) of revenues over expenditures	1,059,242	82,602	(682,439)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt			11,070,055
Bond issuance cost			(170,704)
Transfers in (out)	(712,162)		
Total other financing sources (uses)	(712,162)		10,899,351
Net Change in Fund Balance	347,080	82,602	10,216,912
Fund Balance - Beginning	4,419,256	1,069,876	
Fund Balance - Ending	\$ 4,766,336	\$ 1,152,478	\$ 10,216,912

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

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

	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,163	\$ 32,634	\$ 3,705,220
Licenses and permits			111,967
Fees		38,580	99,273
Fines and forfeitures			346,420
Clinic revenue			141,117
Investment earnings	17	1,804	13,062
Rental revenues			2,400
Intergovernmental		21,284	820,513
EMS revenue			144,299
Miscellaneous			135,231
Total revenues	2,180	94,302	5,519,502
EXPENDITURES			
Current:			
General government		100,398	767,622
Road and bridge			852,042
County judge			91,334
County and district clerk			160,026
Justice of the peace			105,592
County attorney			98,423
County treasurer			70,978
County tax collector			103,994
County building operations			232,870
County sheriff			478,052
County agent			54,480
Trapper			76,800
Senior citizens			37,400
Volunteer fire department			50,000
Clinic			353,129
EMS			290,755
Capital outlay			1,240,516
Debt service	37,221		37,221
Total expenditures	37,221	100,398	5,101,234
Excess (deficiency) of revenues over expenditures	(35,041)	(6,096)	418,268
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt			11,070,055
Bond issuance cost			(170,704)
Transfers in (out)	-	-	(712,162)
Total other financing sources (uses)	-	-	10,187,189
Net Change in Fund Balance	(35,041)	(6,096)	10,605,457
Fund Balance - Beginning	36,192	587,662	6,112,986
Fund Balance - Ending	\$ 1,151	\$ 581,566	\$ 16,718,443

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

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

Net change in fund balance - governmental funds	\$	10,605,457
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		1,240,516
<p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$585,675 is to decrease net position.</p>		(585,675)
<p>Loss on disposal of capital assets</p>		(24,782)
<p>The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to the change in net position of \$11,070,055.</p>		(11,070,055)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$22,831. This results in an increase in net position</p>		22,831
<p>Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$89,506.</p>		<u>(89,506)</u>
Net position of governmental activities - statement of net position	\$	<u><u>98,786</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2021

	<u>Nursing Home</u>
ASSETS:	
Current Assets:	
Cash and cash investments	\$ 663,003
Accounts receivable, net	147,098
Grant receivable	85,636
Prepaid expense	<u>45,516</u>
Total Current Assets	<u>941,253</u>
Noncurrent Assets:	
Depreciable capital assets, net	611,280
Net pension asset	<u>355,344</u>
Total Noncurrent Assets	<u>966,624</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>458,999</u>
Deferred outflows - pension related	
Total Assets and Deferred Outflows of Resources	<u>2,366,876</u>
LIABILITIES:	
Accounts payable	53,713
Accrued payroll expenses	65,368
Due to others	<u>9,093</u>
Total Liabilities	<u>128,174</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension related	<u>430,535</u>
NET POSITION:	
Net investment in capital assets	611,280
Unrestricted	<u>1,196,887</u>
Total Net Position	<u>\$ 1,808,167</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
 YEAR ENDED SEPTEMBER 30, 2021

	<u>Nursing Home</u>
OPERATING REVENUE:	
Resident revenue	\$ 1,937,752
State QIPP Funds, net	277,237
Other operating revenue	5,130
Donations	<u>1,405</u>
Total Operating Revenue	<u>2,221,524</u>
OPERATING EXPENSES:	
Nursing	1,195,515
Medical supplies	78,903
Consultants	24,895
Resident care	303,308
Activities	32,007
Medical records	35,016
Dietary	324,351
Environmental services	134,085
Facility costs	199,729
Depreciation expense	65,487
Administration	356,386
Employee benefits	330,116
Management fee	<u>195,000</u>
Total Operating Expenses	<u>3,274,798</u>
Operating Income	<u>(1,053,274)</u>
NON-OPERATING REVENUE (EXPENSES)	
Grant revenue - CARES Act Funding	237,815
Transfers in	<u>712,162</u>
Total Non-operating Revenue (Expenses)	<u>949,977</u>
CHANGE IN NET POSITION	(103,297)
NET POSITION - BEGINNING	1,855,769
Adjustment to beginning net position	<u>55,695</u>
NET POSITION - ENDING	\$ <u><u>1,808,167</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2021

	<u>Nursing Home</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from resident services	\$ 2,076,598
Receipts from State QIPP Program	247,296
Payments to employees and related taxes and benefits	(2,033,830)
Payments to consultants and management company	(235,941)
Payments to suppliers	(514,786)
Payments to others	(375,738)
Net cash provided (used) by operating activities	<u>(836,401)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant funding - CARES Act	9,173
Operating transfers in	712,162
Net cash provided (used) by noncapital financing activities	<u>721,335</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(5,214)
Net cash provided (used) by capital and related financing activities	<u>(5,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net cash provided (used) by investing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(120,280)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>783,283</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 663,003</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,053,274)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	65,487
(Increase) decrease in accounts receivable	147,190
(Increase) decrease in grants receivable	(29,941)
(Increase) decrease in prepaid assets	25,405
(Increase) decrease in pension related assets	105,920
Increase (decrease) in accounts payable	(55,831)
Increase (decrease) in accrued payroll	(26,478)
Increase (Decrease) in due to others	(14,879)
Net cash used by operating activities	<u><u>\$ (836,401)</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

BALANCE SHEET - FIDUCIARY FUNDS

SEPTEMBER 30, 2021

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>81,041</u>
Total Assets	\$ <u><u>81,041</u></u>
LIABILITIES	
Due to Others	\$ <u>81,041</u>
Total Liabilities	\$ <u><u>81,041</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

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

	<u>Agency Funds</u>
ADDITIONS	
Deposits	\$ 14,111,114
Total Additions	<u>14,111,114</u>
DEDUCTIONS	
Disbursements	<u>14,109,745</u>
Total Deductions	<u>14,109,745</u>
Change in Net Position	1,369
Net Position - beginning of year	<u>79,672</u>
Net Position - end of year	<u>\$ 81,041</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 1: REPORTING ENTITY

Primary Government

Sterling County, Texas (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government, road and bridge, County judge, County and District clerk, Justice of the Peace, County attorney, County treasurer, County tax collector, County building operations, nursing home operations, County sheriff, County agent, and trapper.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

Discretely Presented Component Units

The Senior Citizens Center is a non-profit entity which is subsidized by the County with operational funds and is utilizing county owned buildings to conduct services to the County. The Center is governed by a separate board which is not appointed by the County Commissioners but reports monthly to them.

The Sterling Volunteer Fire Department was organized in 1963 and is governed by a nine-person Board of Directors. The Fire Department is subsidized annually by the County. The principal functions of the Fire Department are to save lives and to protect property endangered by fire or other disasters in Sterling County, Texas.

NOTE 2: GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for proprietary and governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

Road & Bridge Fund - The Road & Bridge Fund accounts for financial resources restricted for the purpose of repairing roads and bridges and related expenditures.

Debt Service Fund - The Debt Service Fund is used to collect the property taxes to fund the County's debt payments and the expenditures related to debt service.

Capital Projects Fund - The Capital Projects Fund is used to spend the proceeds from issued debt to provide improvements to the County roads.

The County reports the following major proprietary fund:

Nursing Home Fund - This fund is used to account for the activities of the County's Nursing Home which is operated in a manner similar to a private business enterprise. The Nursing Home is supported by resident charges, state revenues, and subsidies from the County when needed to cover operational expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

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.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

Budget Policies

The County follows the following procedures in establishing budgetary data reflected in the financial statements:

Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Budgets are adopted for all funds, and budget amendments are approved by the Commissioners' Court. All appropriations lapse at year end.

Property Taxes

Property tax revenues are considered available when collected within the current period. The County levies property taxes prior to September 30 and become due on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2021 was \$.459488 per \$100 valuation.

Allowance for uncollectible tax receivables within the General Fund and Debt Service Fund is 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.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. 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. The County capitalizes all capital outlay expenditures over \$5,000.

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>
Buildings and improvements	50
Furniture and equipment	5-15
Infrastructure	20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the differences between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the County has deferred inflows of resources for the differences between expected and actual experience related to the valuation of the County's net pension asset. In the governmental fund financial statements, the County has deferred inflows of resources related to the timing of the receipts from property taxes.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities. The long-term debt of the County includes bonds payable.

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. Transfers to component units 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.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Statement of Cash Flows

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County had \$85,517 classified as nonspendable at September 30, 2021.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for use only for a specific use. The County had \$1,152,478 restricted for road and bridge repairs, \$10,216,912 restricted for capital improvements, \$581,566 for special revenue projects, and \$1,151 for future debt service requirements at year end.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to management through the budgetary process. The County has no funds classified as assigned at September 30, 2021.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. Investments are reported at fair value.

NOTE 4: 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

Primary Government - At September 30, 2021, the carrying amount of the County's deposits and certificates of deposit was \$17,990,594. The bank balance at September 30, 2021, was \$17,851,636. The County's cash deposits and certificates of deposit at September 30, 2021, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

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 owed by the entity.

Statutes authorize the County to invest in 1) obligations of the U.S. Treasury or the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The County is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety or principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: DEPOSITS AND INVESTMENTS - continued

The County's investments at September 30, 2021 are as follows:

	Cost Basis	Fair Value
Governmental Activities:		
Certificates of deposit	\$ <u>2,100,000</u>	\$ <u>2,100,000</u>
	<u>2,100,000</u>	<u>2,100,000</u>
Special Revenue Funds		
Certificates of deposit	<u>20,000</u>	<u>20,000</u>
	<u>20,000</u>	<u>20,000</u>
Total investments	\$ <u><u>2,120,000</u></u>	\$ <u><u>2,120,000</u></u>

Analysis of Specific Deposit and Investment Risk

Interest rate risk: In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the weighted average maturity portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the county shall not exceed three years from the time of purchase. The commissioners may specifically authorize a longer maturity for a given investment within legal limits.

Credit risk: State law and County policy limit investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2021, the County had \$2,120,000 in investments.

Concentration of credit risk: The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk: Custodial credit risk is the risk that deposits are exposed to 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. At September 30, 2021, the County was not exposed to custodial credit risk.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
PRIMARY GOVERNMENT				
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,238			\$ 6,238
Construction in progress		668,306		668,306
Total capital assets not being depreciated	<u>6,238</u>	<u>668,306</u>	<u>-</u>	<u>674,544</u>
Capital assets being depreciated				
Buildings and improvements	1,663,399	36,530	(2,800)	1,697,129
Furniture and equipment	2,549,988	415,228	(91,400)	2,873,816
Vehicles	1,914,229	120,452	(49,564)	1,985,117
Infrastructure	4,009,883			4,009,883
Total capital assets being depreciated	<u>10,137,499</u>	<u>572,210</u>	<u>(143,764)</u>	<u>10,565,945</u>
Less accumulated depreciation for:				
Buildings and improvements	(870,680)	(66,553)	2,800	(934,433)
Furniture and equipment	(1,462,159)	(210,506)	91,400	(1,581,265)
Vehicles	(724,825)	(193,266)	24,782	(893,309)
Infrastructure	(795,821)	(115,350)		(911,171)
Total accumulated depreciation	<u>(3,853,485)</u>	<u>(585,675)</u>	<u>118,982</u>	<u>(4,320,178)</u>
Governmental activities capital assets, net \$	<u>6,290,252</u>	<u>\$ 654,841</u>	<u>\$ (24,782)</u>	<u>\$ 6,920,311</u>

Depreciation was charged to the functions as follows:

Road and bridge	\$ 245,979
County agent	10,135
County sheriff	44,863
General government	88,962
Volunteer fire department	110,233
Family clinic	7,856
Elections	18,726
EMS	58,921
Total depreciation expense-governmental activities \$	<u>585,675</u>

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: CAPITAL ASSETS – continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets being depreciated				
Buildings and improvements	\$ 1,770,308	\$	\$	\$ 1,770,308
Furniture and equipment	476,985	5,214	(201,203)	280,996
Total capital assets being depreciated	2,247,293	5,214	(201,203)	2,051,304
Less accumulated depreciation for:				
Buildings and improvements	(1,157,094)	(39,619)		(1,196,713)
Furniture and equipment	(418,646)	(25,868)	201,203	(243,311)
Total accumulated depreciation	(1,575,740)	(65,487)	201,203	(1,440,024)
Business type activities capital assets, net \$	671,553	\$ (60,273)	\$ -	\$ 611,280

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely Presented Component Units:				
Capital assets being depreciated				
Buildings and improvements	\$ 451,642	\$	\$	\$ 451,642
Furniture and equipment	318,271	16,598		334,869
Total capital assets being depreciated	769,913	16,598	-	786,511
Less accumulated depreciation for:				
Buildings and improvements	(203,232)	(11,845)		(215,077)
Furniture and equipment	(205,338)	(25,648)		(230,986)
Total accumulated depreciation	(408,570)	(37,493)	-	(446,063)
Discretely Presented Component Units Capital assets, net	\$ 361,343	\$ (20,895)	\$ -	\$ 340,448

Depreciation was charged to functions as follows:

Sterling County Senior Center	\$ 11,845
Sterling Volunteer Fire Department	25,648
	\$ 37,493

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: LONG TERM DEBT

A summary of changes in long term debt are as follows:

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Tax Notes:				
Series 2021	\$ -	\$ 1,250,000	\$ -	\$ 1,250,000
Certificates of Obligation:				
Series 2021		8,715,000		8,715,000
Reoffering premium		1,105,055		1,105,055
Total Long Term Debt	\$ -	\$ 11,070,055	\$ -	\$ 11,070,055

The county issued Tax Note Series 2021 on May 1, 2021 in the amount of \$1,250,000. The tax note has interest and principal payments due in February and August each year with a maturity date of August 15, 2028. The County also issued General Obligation Bonds of \$8,715,000 with a net reoffering premium of \$1,105,055 on July 12, 2021. The bonds were issued to provide funds for major road improvements within the County. The bonds call for interest and principal payments in February and August each year with a maturity on February 15, 2031.

The annual aggregate maturities for the governmental activities at September 30, 2021 are as follows:

Year Ended September 30	Principal	Interest	Total
2022	\$ 944,000	\$ 272,948	\$ 1,216,948
2023	961,000	252,007	1,213,007
2024	977,000	235,274	1,212,274
2025	1,003,000	213,834	1,216,834
2026	1,030,000	187,366	1,217,366
2027-2031	5,050,000	468,625	5,518,625
	\$ 9,965,000	\$ 1,630,054	\$ 11,595,054

NOTE 7: RETIREMENT PLAN

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of almost 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 7: RETIREMENT PLAN - continued

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Sterling County can retire at age 60 and above with eight or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLA's. Ad hoc post-employment benefit changes, including ad hoc COLA's, can be granted by the County Commissioners within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2020 consisted of the following:

Inactive employees receiving benefits	45
Inactive employees not yet receiving benefits	191
Active employees	80

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the county is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The rate the County contributed for the months of the accounting year in 2020 and 2021 were 7.75% and 7.85% respectively. The deposit rate payable by the employee members for the calendar year 2020 and 2021 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended September 30, 2021 were \$205,238.

Actuarial Assumptions

The total pension asset at December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 Years (based on contribution rate calculated in 12/31/20 valuation)

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE 7: RETIREMENT PLAN - continued

Asset Valuation Method	5 year smoothed value
Discount Rate	7.60%
Long-term expected Investment Rate of Return	7.60%
Salary increases	4.9% average over career including inflation

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except where required to be different by GASB 68.

There were no changes in assumptions or methods reflected in the December 31, 2020 actuarial valuation. There were no changes on benefit terms that affected measurement of the total pension liability during the measurement period. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension asset was 7.60%. This discount rate is 0.50% lower than the rate that was used in the prior year's calculation.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20 – year closed layered periods.
- 2) Under the TCRDS Act, the employer is legally required to make the contribution specified in the funding policy
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment 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 years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by .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 real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10 year time horizon.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: RETIREMENT PLAN – continued

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 to December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.25%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities-Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities-Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment Grade Bonds	Bloomberg Barclays US Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
REIT Equities	67% FTSE NAREIT All Equity REIT's Index +33% S&P Global REIT (net) Index	2.00%	3.45%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	5.70%
Master Limited Partnerships (MLP's)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	4.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the County reported a net pension asset of \$655,614 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2020. For the year ended September 30, 2021, the County recognized pension expense of \$400,665.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: RETIREMENT PLAN - continued

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

Changes in the net pension asset for the measurement year ended December 31, 2020 are as follows:

Changes in Net Pension Liability/(Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balance at December 31, 2019	\$ 9,627,517	\$ 10,663,187	\$ (1,035,670)
Changes for the year:			
Service Cost	452,606		452,606
Interest on total pension liability	789,137		789,137
Effect of plan changes			
Effect of economic/demographic gains or losses	44,434		44,434
Effect of assumptions changes or inputs	564,534		564,534
Refund of contributions	(63,575)	(63,575)	
Benefit payments	(625,212)	(625,212)	
Administrative expenses		(8,375)	8,375
Member contributions		183,170	(183,170)
Net investment income		1,100,960	(1,100,960)
Employer contributions		202,796	(202,796)
Other		(7,896)	7,896
Balances as of December 31, 2020	\$10,789,441	\$ 11,445,055	\$ (655,614)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.600%)
Total Pension Liability	\$ 12,089,960	\$ 10,789,441	\$ 9,695,735
Fiduciary Net Position	11,445,055	11,445,055	11,445,055
Net Pension Liability/(Asset)	\$ 644,905	\$ (655,614)	\$ (1,749,320)

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: RETIREMENT PLAN - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,217	\$ 1,254
Changes in actuarial assumptions	282,267	
Difference between projected and actual investment earnings	389,189	793,090
Contributions subsequent to the measurement date	153,189	
Total	\$ 846,862	\$ 794,344

\$153,189 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 ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2021	\$ 172,146
2022	(14,119)
2023	(208,717)
2024	(49,981)
2025	
Thereafter	
	\$ (100,671)

NOTE 8: 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 2021, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

NOTE 9: FINANCIAL INSTRUMENTS

The County has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at September 30, 2021, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash, accounts receivables, prepaid expenses, accounts payable, and payroll liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,134,629	\$ 3,134,629	\$ 3,101,325	\$ (33,304)
Fees	120,410	120,410	59,292	(61,118)
Fines and forfeitures	289,000	289,000	346,420	57,420
Clinic revenue	150,730	150,730	141,117	(9,613)
Investment earnings	40,000	40,000	9,788	(30,212)
Rental revenues	2,400	2,400	2,400	-
Intergovernmental	369,899	532,652	572,491	39,839
EMS revenue	75,000	75,000	144,299	69,299
Miscellaneous	179,060	190,191	97,247	(92,944)
Total Revenues	<u>4,361,128</u>	<u>4,535,012</u>	<u>4,474,379</u>	<u>(60,633)</u>
Expenditures				
Current:				
General government	903,829	900,494	667,224	233,270
County judge	97,750	97,750	91,334	6,416
County and district clerk	167,638	167,638	160,026	7,612
Justice of the peace	108,198	108,198	105,592	2,606
County attorney	99,593	106,459	98,423	8,036
County treasurer	76,548	76,548	70,978	5,570
County tax collector	109,547	109,547	103,994	5,553
County building operations	260,808	259,730	232,870	26,860
County sheriff	504,230	506,510	478,052	28,458
County agent	67,296	67,737	54,480	13,257
Trapper	76,800	76,800	76,800	-
Senior citizens	37,400	37,400	37,400	-
Volunteer fire department	50,000	50,000	50,000	-
Clinic	370,199	375,956	353,129	22,827
EMS	284,342	293,020	290,755	2,265
Capital outlay	410,865	515,706	544,080	(28,374)
Total Expenditures	<u>3,625,043</u>	<u>3,749,493</u>	<u>3,415,137</u>	<u>334,356</u>
Excess (deficiency) of revenues over expenditures	<u>736,085</u>	<u>785,519</u>	<u>1,059,242</u>	<u>273,723</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(729,685)</u>	<u>(729,685)</u>	<u>(712,162)</u>	<u>17,523</u>
Total other financing sources (uses)	<u>(729,685)</u>	<u>(729,685)</u>	<u>(712,162)</u>	<u>17,523</u>
Net Change in Fund Balance	6,400	55,834	347,080	291,246
Fund Balance - Beginning	<u>4,419,256</u>	<u>4,419,256</u>	<u>4,419,256</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,425,656</u>	<u>\$ 4,475,090</u>	<u>\$ 4,766,336</u>	<u>\$ 291,246</u>

STERLING COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 574,729	\$ 574,729	\$ 569,098	\$ (5,631)
Licenses and permits	116,900	116,900	111,967	(4,933)
Fees	1,100	1,100	1,401	301
Investment earnings	20,000	20,000	586	(19,414)
Intergovernmental	265,710	265,710	226,738	(38,972)
Miscellaneous	25,000	46,093	37,984	(8,109)
Total Revenues	<u>1,003,439</u>	<u>1,024,532</u>	<u>947,774</u>	<u>(76,758)</u>
Expenditures				
Commissioner's salary	82,320	82,320	82,320	
Road foreman salary	47,380	47,380	47,380	
Landfill salary	4,252	4,252	4,006	246
Cell phone allowance	1,800	1,800	1,800	
Road salary	83,470	83,470	83,470	
Social security	16,771	16,821	16,752	69
Group hospital insurance	89,000	89,000	85,578	3,422
Retirement	17,156	17,206	17,135	71
Permit and landfill fees	20,000	20,000	10,569	9,431
Fuel and oil	35,000	35,000	25,550	9,450
Supplies	2,000	2,000	1,903	97
County barn maintenance	5,000	5,000	1,281	3,719
Telephone	2,600	2,678	2,678	
Travel expenses	5,000	4,922	1,584	3,338
Utilities	5,000	5,000	4,800	200
Machine parts and repairs	55,000	55,000	45,581	9,419
Road materials and repairs	140,000	141,785	141,785	
Lateral road funds	6,880	6,880	6,880	
Miscellaneous expense	4,100	3,128	1,452	1,676
Professional fees	15,000	15,000	2,465	12,535
Grant expenditures	265,710	285,890	248,893	36,997
Capital outlay	100,000	100,000	31,310	68,690
Total Expenditures	<u>1,003,439</u>	<u>1,024,532</u>	<u>865,172</u>	<u>159,360</u>
Excess (deficiency) of revenues over expenditures			<u>82,602</u>	<u>82,602</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Total other financing sources (uses)				
Net Change in Fund Balance			82,602	82,602
Fund Balance - Beginning	<u>1,069,876</u>	<u>1,069,876</u>	<u>1,069,876</u>	
Fund Balance - Ending	<u>\$ 1,069,876</u>	<u>\$ 1,069,876</u>	<u>\$ 1,152,478</u>	<u>\$ 82,602</u>

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 355,211	\$ 348,418	\$ 470,366
Interest (on the Total Pension Liability)	583,273	623,188	653,432
Effect of plan Changes	-	(70,584)	-
Effect of economic/demographic (gains)	20,568	(89,476)	(306,213)
Change of assumptions	-	103,678	-
Benefit payments, including refunds	(408,001)	(553,159)	(618,930)
Net Change in Total Pension Liability	<u>551,051</u>	<u>362,065</u>	<u>198,655</u>
Total Pension Liability - Beginning	<u>7,226,779</u>	<u>7,777,830</u>	<u>8,139,895</u>
Total Pension Liability - Ending (a)	<u>\$ 7,777,830</u>	<u>\$ 8,139,895</u>	<u>\$ 8,338,550</u>
 Plan Fiduciary Net Position			
Contributions - Employer	192,443	186,747	183,790
Contributions - Employee	164,281	172,458	179,182
Net Investment Income	568,189	(140,407)	633,338
Benefit payments, including refunds	(408,001)	(553,159)	(618,930)
Administrative Expense	(6,635)	(6,257)	(6,877)
Other	(48,015)	49,291	(40,041)
Net Change in Plan Fiduciary Net Position	<u>462,262</u>	<u>(291,327)</u>	<u>330,462</u>
Plan Fiduciary Net Position - Beginning	<u>8,377,866</u>	<u>8,840,128</u>	<u>8,548,802</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,840,128</u>	<u>\$ 8,548,801</u>	<u>\$ 8,879,264</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (1,062,298)</u>	<u>\$ (408,906)</u>	<u>\$ (540,714)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.66%	105.02%	106.48%
 Covered Employee Payroll	\$ 2,346,870	\$ 2,463,681	\$ 2,559,748
 Net Pension Liability as a Percentage of Covered Employee Payroll	-45.26%	-16.60%	-21.12%

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Pension Liability				
Service cost	\$ 416,856	\$ 408,170	\$ 457,483	\$ 452,606
Interest (on the Total Pension Liability)	681,611	703,994	746,009	789,137
Effect of plan changes	-	-	-	-
Effect of economic/demographic (gains)	(201,131)	(14,093)	(3,762)	44,434
Change of assumptions	45,961	-	-	564,534
Benefit payments, including refunds	<u>(694,438)</u>	<u>(620,663)</u>	<u>(637,031)</u>	<u>(688,787)</u>
Net Change in Total Pension Liability	<u>248,859</u>	<u>477,408</u>	<u>562,699</u>	<u>1,161,924</u>
Total Pension Liability - Beginning	<u>8,338,550</u>	<u>8,587,409</u>	<u>9,064,817</u>	<u>9,627,517</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,587,409</u></u>	<u><u>\$ 9,064,817</u></u>	<u><u>\$ 9,627,516</u></u>	<u><u>\$ 10,789,441</u></u>
 Plan Fiduciary Net Position				
Contributions - Employer	203,229	200,824	188,593	202,796
Contributions - Employee	172,228	179,079	183,609	183,170
Net Investment Income	1,290,932	(186,012)	1,543,906	1,100,960
Benefit payments, including refunds	(694,438)	(620,663)	(637,031)	(688,787)
Administrative Expense	(6,544)	(7,550)	(8,126)	(8,375)
Other	<u>(4,347)</u>	<u>(6,186)</u>	<u>(7,582)</u>	<u>(7,895)</u>
Net Change in Plan Fiduciary Net Position	<u>961,060</u>	<u>(440,508)</u>	<u>1,263,369</u>	<u>781,869</u>
Plan Fiduciary Net Position - Beginning	<u>8,879,264</u>	<u>9,840,324</u>	<u>9,399,817</u>	<u>10,663,186</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 9,840,324</u></u>	<u><u>\$ 9,399,816</u></u>	<u><u>\$ 10,663,186</u></u>	<u><u>\$ 11,445,055</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ (1,252,915)</u></u>	<u><u>\$ (334,999)</u></u>	<u><u>\$ (1,035,670)</u></u>	<u><u>\$ (655,614)</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	114.59%	103.70%	110.76%	106.08%
 Covered Employee Payroll	\$ 2,460,401	\$ 2,558,266	\$ 2,622,990	\$ 2,616,713
 Net Pension Liability as a Percentage of Covered Employee Payroll	-50.92%	-13.09%	-39.48%	-25.05%

STERLING COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2021

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2011	161,830	177,057	(15,227)	1,770,565	10.0%
2012	162,293	182,969	(20,676)	1,829,690	10.0%
2013	165,898	171,022	(5,124)	1,998,768	8.6%
2014	192,443	192,443	-	2,346,870	8.2%
2015	186,747	186,747	-	2,463,681	7.6%
2016	183,790	183,790	-	2,559,748	7.2%
2017	203,229	203,229	-	2,460,401	8.3%
2018	200,824	200,824	-	2,558,266	7.9%
2019	188,593	188,593	-	2,622,990	7.2%
2020	202,796	202,796	-	2,616,713	7.8%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated each 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 of percentage of payroll, closed
Remaining Amortization Period	20 years (based on contribution rate calculated at 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.5%, 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 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality, and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule	2015, 2016, 2018, 2019 and 2020: No changes in plan provisions were reflected 2017: New Annuity purchase Rates were reflected for benefits earned after 2017

OTHER SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Jury Fund	Records Management	Courthouse Security	Technology Fund
ASSETS				
Cash and cash investments	\$ 128,373	\$ 32,042	\$ 62,360	\$ 15,007
Investments	300,000		20,000	
Due from agency funds	205	691	1,214	933
Accrued interest receivable	256		64	
Total Assets	\$ 428,834	\$ 32,733	\$ 83,638	\$ 15,940
 LIABILITIES				
Accounts Payable	\$	\$	\$	\$ 18,895
 DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue				
Total Liabilities and deferred inflows of resources				18,895
 FUND BALANCE				
Restricted	428,834	32,733	83,638	(2,955)
Unassigned				
Total Fund Balance	428,834	32,733	83,638	(2,955)
Total Liabilities and Fund Balance	\$ 428,834	\$ 32,733	\$ 83,638	\$ 15,940

STERLING COUNTY, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash investments	\$ 5,300	\$ 2,672	\$ 2,331	\$ 28,027	\$ 276,112
Investments					320,000
Due from agency funds	36			950	4,029
Accrued interest receivable					320
Total Assets	\$ 5,336	\$ 2,672	\$ 2,331	\$ 28,977	\$ 600,461
LIABILITIES					
Accounts Payable	\$	\$	\$	\$	\$ 18,895
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue					
Total Liabilities and deferred inflows of resources					18,895
FUND BALANCE					
Restricted	5,336	2,671	2,331	28,978	581,566
Unassigned					
Total Fund Balance	5,336	2,671	2,331	28,978	581,566
Total Liabilities and Fund Balance	\$ 5,336	\$ 2,671	\$ 2,331	\$ 28,978	\$ 600,461

STERLING COUNTY, TEXAS

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

	Jury Fund	Records Management	Courthouse Security	Technology Fund
REVENUES:				
Property taxes	\$ 32,634	\$	\$	\$
Fees	3,800	1,469	14,414	11,241
Intergovernmental	16,388	4,612		
Investment earnings	1,635	16	128	7
	<u>54,457</u>	<u>6,097</u>	<u>14,542</u>	<u>11,248</u>
EXPENDITURES:				
Current:				
Salaries and benefits	2,337			
Other operating	54,888	4,273	2,302	28,695
Capital Outlay				
	<u>57,225</u>	<u>4,273</u>	<u>2,302</u>	<u>28,695</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,768)	1,824	12,240	(17,447)
OTHER FINANCING SOURCES:				
Transfers from other funds	-			
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,768)	1,824	12,240	(17,447)
FUND BALANCE - BEGINNING	<u>431,602</u>	<u>30,909</u>	<u>71,398</u>	<u>14,492</u>
FUND BALANCE - ENDING	<u>\$ 428,834</u>	<u>\$ 32,733</u>	<u>\$ 83,638</u>	<u>\$ (2,955)</u>

STERLING COUNTY, TEXAS

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

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
REVENUES:					
Property taxes	\$	\$	\$	\$	\$ 32,634
Fees	275	170	1,866	5,345	38,580
Intergovernmental			284		21,284
Investment earnings	3	1		14	1,804
	278	171	2,150	5,359	94,302
 Total Revenues					
EXPENDITURES:					
Current:					
Salaries and benefits					2,337
Other operating		-	1,563	6,340	98,061
Capital Outlay					-
	-	-	1,563	6,340	100,398
 Total Expenditures					
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	278	171	587	(981)	(6,096)
OTHER FINANCING SOURCES:					
Transfers from other funds					-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	278	171	587	(981)	(6,096)
FUND BALANCE - BEGINNING	5,058	2,500	1,744	29,959	587,662
FUND BALANCE - ENDING	\$ 5,336	\$ 2,671	\$ 2,331	\$ 28,978	\$ 581,566

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2021

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
ASSETS			
Current:			
Cash and investments	\$ 53,250	\$ 19,300	\$ 72,550
Total current assets	<u>53,250</u>	<u>19,300</u>	<u>72,550</u>
Noncurrent assets:			
Property and equipment, net	<u>117,565</u>	<u>222,883</u>	<u>340,448</u>
Total noncurrent assets	<u>117,565</u>	<u>222,883</u>	<u>340,448</u>
TOTAL ASSETS	<u>170,815</u>	<u>242,183</u>	<u>412,998</u>
LIABILITIES			
Accounts Payable	<u>2,054</u>		<u>2,054</u>
Total Liabilities	<u>2,054</u>		<u>2,054</u>
NET POSITION			
Net investment in capital assets	117,565	222,883	340,448
Unrestricted	<u>51,196</u>	<u>19,300</u>	<u>70,496</u>
TOTAL NET POSITION	<u>\$ 168,761</u>	<u>\$ 242,183</u>	<u>\$ 410,944</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
REVENUES:			
Fees and charges for services	\$	\$ 7,716	\$ 7,716
Donations	5,330	6,336	11,666
Intergovernmental	50,000	38,050	88,050
Investment earnings	7		7
Miscellaneous	7,176	20	7,196
Total Revenues	<u>62,513</u>	<u>52,122</u>	<u>114,635</u>
EXPENDITURES:			
Current:			
Salaries and benefits		24,129	24,129
Occupancy costs	4,580	6,153	10,733
Repairs and supplies	9,517	12,630	22,147
Depreciation	25,648	11,845	37,493
Other operating	8,510	11,522	20,032
Total Expenditures	<u>48,255</u>	<u>66,279</u>	<u>114,534</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	14,258	(14,157)	101
NET POSITION - BEGINNING OF YEAR	<u>154,503</u>	<u>256,340</u>	<u>410,843</u>
NET POSITION - END OF YEAR	<u>\$ 168,761</u>	<u>\$ 242,183</u>	<u>\$ 410,944</u>

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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*

To the Commissioner's Court
Sterling 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Sterling County, Texas' basic financial statements, and have issued our report thereon dated February 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sterling 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 Sterling County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Sterling 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sterling 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.

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas,
February 11, 2022