

**KING COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**LUBBOCK, TEXAS**

**KING COUNTY, TEXAS**

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**LUBBOCK, TEXAS 79423-1954**

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of King County, Texas (the County), as of and for the fiscal 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, each major fund, and the aggregate remaining fund information of King County, Texas as of September 30, 2021, and the respective changes in financial position, 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, schedule of changes in net pension asset/liability and related ratios, and budgetary comparison information on pages 4 through 9 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional 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 January 26, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of the County's internal control over financial reporting and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

January 26, 2022

# KING COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

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

### FINANCIAL HIGHLIGHTS

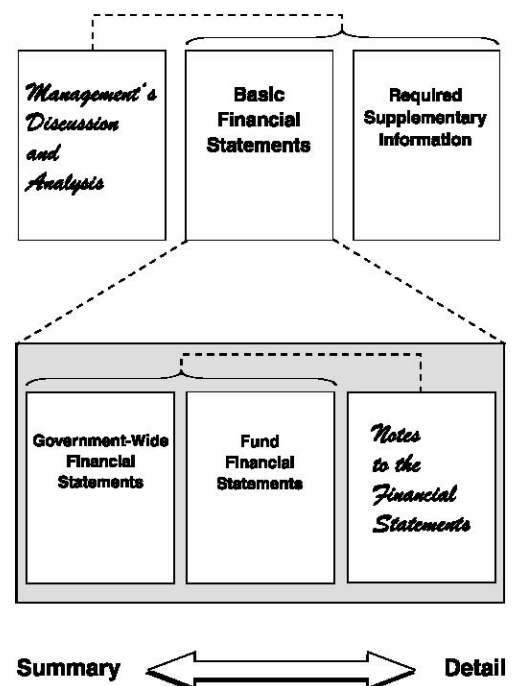
- The County's total combined net position was \$7,342,054 at September 30, 2021. Of this amount, \$3,804,883 (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$239,993 more than the \$1,870,261 generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$3,898,750, of which \$3,658,376 is the unassigned fund balance and is available for spending at the government's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

**FIGURE A-2**  
**MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND STATEMENTS**

| <i>Type of Statement</i>                      | <b>Government-Wide</b>   | <b>Governmental Funds</b>   | <b>Fiduciary Funds</b>   |
|---|--|---|--|
| <b>Scope</b>                                  | Entire County's government (except fiduciary funds)                                | The activities of the County that are not proprietary or fiduciary  | Instances in which the County is the trustee or agent for someone else's resources   |
| <b>Required financial statements</b>          | Statement of net position  | Balance Sheet   | Statement of fiduciary net position  |
|   | Statement of activities  | Statement of revenues, expenditures and changes in fund balances  | Statement of changes in fiduciary net position   |
| <b>Accounting basis and measurement focus</b> | Accrual accounting and economic resource focus                                     | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus  |
| <b>Type of asset/liability information</b>    | All assets and liabilities, both financial and capital, short-term and long-term   | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can |
| <b>Type of flow/outflow</b>                   | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received  | All revenues and expenses during year; regardless of when cash is received or paid   |

### Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 10) presents information on all of the 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 County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 11) presents information showing how the government's net position changed during the 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.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, road and bridge, extension services, and culture and recreation. These activities are financed primarily by property taxes and grants.



## Fund Financial Statements

The Fund Financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. The County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has two types of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 13 and 15 of the basic financial statements section.

The County's primary governmental fund is the General Fund which is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds are used to account for proceeds of specific revenue source that are legally restricted to expenditures for specific purposes or to finance particular functions or activities of the County.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided on page 36 to demonstrate compliance with this budget.

- *Fiduciary funds*—The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position on page 16 and statement of changes in fiduciary net position on page 17. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

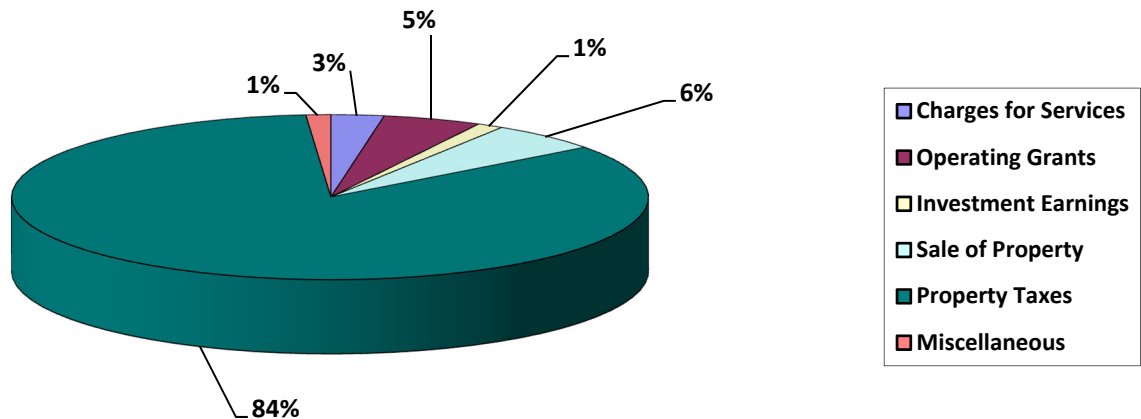
## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's combined net position was \$7,342,054 at September 30, 2021. The largest portion of the County's net position, \$3,990,739, reflects its cash, investments, accounts receivable, and inventories, with the remainder \$3,472,358 reported as capital assets.

**Table A-1**  
**King County's Net Position**  
(in thousands)

|                                  | September 30,   |                 |
|----------------------------------|-----------------|-----------------|
|                                  | 2021            | 2020            |
| Current and Other Assets         | \$ 3,991        | \$ 4,194        |
| Capital and Non-Current Assets   | 3,472           | 3,673           |
| <b>Total Assets</b>              | <b>\$ 7,463</b> | <b>\$ 7,867</b> |
| Deferred Outflows of Resources   | \$ 473          | \$ 360          |
| Current Liabilities              | \$ 109          | \$ 45           |
| Non-Current Liabilities          | 52              | 114             |
| <b>Total Liabilities</b>         | <b>\$ 161</b>   | <b>\$ 159</b>   |
| Deferred Inflows of Resources    | \$ 433          | \$ 486          |
| <b>Net Position</b>              |                 |                 |
| Net Investment in Capital Assets | \$ 3,379        | \$ 3,455        |
| Restricted                       | 158             | 331             |
| Unrestricted                     | 3,805           | 3,796           |
| <b>Total Net Position</b>        | <b>\$ 7,342</b> | <b>\$ 7,582</b> |

**Changes in Net Position** - The County's net position decreased by \$239,993 during the current fiscal year.



**Governmental Activities** - Total revenues for the fiscal year ending September 30, 2021 were \$1,870,261. Approximately 84% of the County's revenue comes from taxes, while 3% comes from charges for services. Investment income accounts for approximately 1% of total revenues. Operating grants, sale of property, and miscellaneous revenues account for 12% of total revenues.

Expenses decreased by approximately \$373,000 from the prior year (about a 15% decrease).

**Table A-2**  
**King County Changes in Net Position**  
(in thousands)

|                                    | September 30,          |                        |
|------------------------------------|------------------------|------------------------|
|                                    | 2021                   | 2020                   |
| Revenues:                          |                        |                        |
| Program Revenues                   |                        |                        |
| Charge for Services                | \$ 50                  | \$ 57                  |
| Operating Grants and Contributions | 94                     | 30                     |
| General Revenues                   |                        |                        |
| Property Taxes                     | 1,572                  | 1,888                  |
| Investment Earnings                | 25                     | 69                     |
| Miscellaneous                      | 23                     | 27                     |
| Sale of Property                   | 106                    | 4                      |
| Total Revenues                     | <u>\$ 1,870</u>        | <u>\$ 2,075</u>        |
| Expenses:                          |                        |                        |
| General Administration             | \$ 658                 | \$ 751                 |
| Judicial                           | 135                    | 148                    |
| Public Safety                      | 210                    | 475                    |
| Road and Bridge                    | 927                    | 925                    |
| Culture and Recreation             | 90                     | 90                     |
| Extension Service                  | 90                     | 94                     |
| Total Expenses                     | <u>\$ 2,110</u>        | <u>\$ 2,483</u>        |
| Increase in Net Position           | \$ (240)               | \$ (408)               |
| Beginning Net Position             | <u>7,582</u>           | <u>7,990</u>           |
| Ending Net Position                | <u><u>\$ 7,342</u></u> | <u><u>\$ 7,582</u></u> |

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, the County's General Fund reported a fund balance of \$3,898,750, a decrease of \$199,155 under the prior year. The unassigned fund balance is \$3,658,376 and is available for spending at the government's discretion.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 177% of total General Fund expenditures.

**General Fund Budgetary Highlights** - At the end of the year, actual expenditures were \$279,609 over final budgeted amounts. Actual revenues were under final budgeted amounts by \$399,023.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2021, the County had invested \$7.1 million in a broad range of capital assets, including land, buildings and improvements, vehicles, and equipment.

Events affecting capital assets during the year were:

- Purchased a motor grader and 5.3 acres of land
- Retired a motor grader

More detailed information about the County's capital assets can be found on page 26.

**Table A-3**  
**King County's Capital Assets**  
(in thousands)

|                                | September 30, |          |
|--------------------------------|---------------|----------|
|                                | 2021          | 2020     |
| Land                           | \$ 32         | \$ 25    |
| Buildings and Improvements     | 4,395         | 4,395    |
| Vehicles and Equipment         | 2,711         | 2,694    |
| Total                          | \$ 7,138      | \$ 7,114 |
| Total Accumulated Depreciation | \$ 3,666      | \$ 3,552 |
| Net Capital Assets             | \$ 3,472      | \$ 3,562 |

**Long-Term Debt** — The County has a capital lease payable in the amount of \$93,487 at September 30, 2021. This capital lease is related to the 2020 Mack Truck.

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

- The appraised value used for the 2021-2022 budget preparation is estimated to be \$127,729,380, down 23% from 2020.
- The tax rate established for 2021 is \$0.9347, the same rate used for 2020.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2021 fiscal year.

Amounts available for appropriation in the General Fund budget are \$2,388,208, a decrease of 10.3% under the final 2020-2021 budget of \$2,164,323.

Budgeted expenditures are expected to increase approximately 12.9% to \$2,338,208. The County has budgeted \$926,366 in cash reserves to cover any shortages.

If these estimates are realized, the County's budgetary General Fund balance is expected to decrease by \$876,366.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the King County Treasurer, County Courthouse, Highway 82, Guthrie, Texas 79236.

**BASIC FINANCIAL STATEMENTS**

KING COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021

|   | <u>Primary<br/>Governmental<br/>Activities</u> |
|---|--|
| <b>ASSETS:</b>  |  |
| Cash and Cash Equivalents   | \$ 713,851                                     |
| Investments - Current   | 3,145,382                                      |
| Interest Receivable   | 7,638  |
| Taxes and Accounts Receivables, net                                 | 4,454  |
| Office Receivables, net   | 1,133  |
| Inventory   | 118,281  |
| Noncurrent Assets   |  |
| Capital Assets (Net of Accumulated Depreciation):                   |  |
| Land  | 32,236   |
| Buildings and Improvements  | 2,714,360                                      |
| Machinery and Equipment   | 725,762  |
| Total Assets  | <u>\$ 7,463,097</u>                            |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                              |  |
| Pension Plan - Employer Contributions Made After Measurement Period | \$ 55,255                                      |
| Pension Plan - Assumption Changes                                   | 190,340  |
| Pension Plan - Difference in Expected and Actual Experience         | 40,579   |
| Pension Plan - Difference in Projected and Actual Earnings          | 186,958  |
| Total Deferred Outflows of Resources                                | <u>\$ 473,132</u>                              |
| <b>LIABILITIES:</b>   |  |
| Accounts Payable  | \$ 16,140                                      |
| Capital Lease Payable - Current                                     | 93,487   |
| Noncurrent Liabilities  |  |
| Net Pension Liability   | 48,101   |
| Accrued Compensated Absences  | 3,315  |
| Total Liabilities   | <u>\$ 161,043</u>                              |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                               |  |
| Unearned Revenues - Unspent Grant Funds                             | \$ 26,417                                      |
| Pension Plan - Difference in Expected and Actual Experience         | 26,493   |
| Pension Plan - Difference in Projected and Actual Earnings          | 380,222  |
| Total Deferred Inflows of Resources                                 | <u>\$ 433,132</u>                              |
| <b>NET POSITION:</b>  |  |
| Net Investment in Capital Assets                                    | \$ 3,378,871                                   |
| Restricted For  |  |
| Road & Bridge   | 114,561  |
| Sheriff Education   | 3,760  |
| JP Technology   | 242  |
| Courthouse Security   | 475  |
| Records Management  | 31,730   |
| Cemetery  | 7,532  |
| Unrestricted  | 3,804,883                                      |
| Total Net Position  | <u>\$ 7,342,054</u>                            |

The accompanying notes are an integral part of this statement.

KING COUNTY, TEXAS

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Functions/Programs                 | <u>Expenses</u>     | <u>Program Revenues</u>                       |   | Net (Expense)                               |
|------------------------------------|---------------------|---|---|---|
|                                    |                     | <u>Fines, Fees &amp; Charges for Services</u> | <u>Operating Grants &amp; Contributions</u> | Revenue and Changes in Net Position         |
|                                    |                     |   |   | <u>Primary Gov. Governmental Activities</u> |
| <b>PRIMARY GOVERNMENT:</b>         |                     |   |   |   |
| Governmental Activities            |                     |   |   |   |
| General Government                 | \$ 658,084          | \$ 20,548                                     | \$ 13,740                                   | \$ (623,796)                                |
| Judicial                           | 135,163             | 9,829   |   | (125,334)                                   |
| Public Safety                      | 210,018             | 19,676  |   | (190,342)                                   |
| Road and Bridge                    | 927,229             |   | 79,830                                      | (847,399)                                   |
| Cultural and Recreation            | 90,027              |   |   | (90,027)                                    |
| Extension Service                  | 89,733              |   |   | (89,733)                                    |
| Total Governmental Activities      | <u>\$ 2,110,254</u> | <u>\$ 50,053</u>                              | <u>\$ 93,570</u>                            | <u>\$ (1,966,631)</u>                       |
| General Revenues:                  |                     |   |   |   |
| Property Taxes                     |                     |   |   | \$ 1,572,169                                |
| Investment Earnings                |                     |   |   | 24,816                                      |
| Miscellaneous Income               |                     |   |   | 23,496                                      |
| Sale of Real and Personal Property |                     |   |   | 106,157                                     |
| Total General Revenues             |                     |   |   | <u>\$ 1,726,638</u>                         |
| Change in Net Position             |                     |   |   | \$ (239,993)                                |
| Net Position - Beginning           |                     |   |   | <u>7,582,045</u>                            |
| Net Position - Ending              |                     |   |   | <u>\$ 7,342,054</u>                         |

The accompanying notes are an integral part of this statement.

KING COUNTY, TEXAS

Exhibit A-3

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

|   | Major<br>Fund<br><u>General<br/>Fund</u> | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--|-----------------------------------|--------------------------------|
| <b>ASSETS:</b>  |  |                                   |                                |
| Cash and Cash Equivalents   | \$ 677,644                               | \$ 36,207                         | \$ 713,851                     |
| Investments - Current   | 3,145,382                                |                                   | 3,145,382                      |
| Taxes Receivable  | 11,854                                   |                                   | 11,854                         |
| Allowance for Uncollectible Taxes (Credit)                          | (7,400)                                  |                                   | (7,400)                        |
| Inventory   | 118,281                                  |                                   | 118,281                        |
| Total Assets  | <u>\$ 3,945,761</u>                      | <u>\$ 36,207</u>                  | <u>\$ 3,981,968</u>            |
| <b>LIABILITIES:</b>   |  |                                   |                                |
| Accounts Payable  | \$ 16,140                                | \$ 0                              | \$ 16,140                      |
| Total Liabilities   | <u>\$ 16,140</u>                         | <u>\$ 0</u>                       | <u>\$ 16,140</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                               |  |                                   |                                |
| Unearned Revenues - Unspent Grant Funds                             | \$ 26,417                                | \$ 0                              | \$ 26,417                      |
| Unavailable Revenue - Property Taxes                                | 4,454                                    |                                   | 4,454                          |
| Total Deferred Inflows of Resources                                 | <u>\$ 30,871</u>                         | <u>\$ 0</u>                       | <u>\$ 30,871</u>               |
| <b>FUND BALANCES:</b>   |  |                                   |                                |
| Nonspendable:   |  |                                   |                                |
| Inventory   | \$ 118,281                               | \$ 0                              | \$ 118,281                     |
| Restricted For:   |  |                                   |                                |
| Road & Bridge   | 114,561                                  |                                   | 114,561                        |
| Sheriff Education   |  | 3,760                             | 3,760                          |
| JP Technology   |  | 242                               | 242                            |
| Courthouse Security   |  | 475                               | 475                            |
| Records Management  |  | 31,730                            | 31,730                         |
| Cemetery  | 7,532                                    |                                   | 7,532                          |
| Unassigned:   |  |                                   |                                |
| Reported in the General Fund  | 3,658,376                                |                                   | 3,658,376                      |
| Total Fund Balances   | <u>\$ 3,898,750</u>                      | <u>\$ 36,207</u>                  | <u>\$ 3,934,957</u>            |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,945,761</u>                      | <u>\$ 36,207</u>                  | <u>\$ 3,981,968</u>            |

The accompanying notes are an integral part of this statement.



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KING COUNTY, TEXAS

Exhibit A-4

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

|  |                            |
|--|----------------------------|
| Total Fund Balances - Governmental Funds Balance Sheet   | \$ 3,934,957               |
| Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because: |                            |
| Capital assets used in the governmental activities are not reported in the funds.                          | 3,472,358                  |
| Net pension liability and deferred outflows and inflows are not recognized in the governmental funds.      | 18,316                     |
| Payables for compensated absences which are not due in the current period are not reported in the fund.    | (3,315)                    |
| Payables for capital leases which are not due in the current period are not reported in the funds.         | (93,487)                   |
| Revenues unavailable to pay for current period expenditures are deferred in the funds.                     | 4,454                      |
| Interest receivable on investments is not recorded in the funds.   | 7,638                      |
| To record the Justice of the Peace and County/Dist. Clerk Fines.   | <u>1,133</u>               |
| Net Assets of Governmental Activities - Statement of Net Position  | \$ <u><u>7,342,054</u></u> |

The accompanying notes are an integral part of this statement.

KING COUNTY, TEXAS

Exhibit A-5

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

|   | Major<br>Fund<br><u>General</u><br><u>Fund</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|---|--|--|---------------------------------------|
| Revenue:                                |  |  |                                       |
| Property Taxes                          | \$ 1,570,792                                   | \$                                       | \$ 1,570,792                          |
| License and Permits                     | 20,548   |  | 20,548                                |
| Intergovernmental Revenue and Grants    | 92,878   | 692                                      | 93,570                                |
| Charges for Services                    | 9,829  |  | 9,829                                 |
| Fines and Fees                          | 16,263   | 4,682                                    | 20,945                                |
| Investment Earnings                     | 31,494   |  | 31,494                                |
| Rents and Royalties                     | 1,200  |  | 1,200                                 |
| Other Revenue                           | 22,296   |  | 22,296                                |
| Total Revenues                          | <u>\$ 1,765,300</u>                            | <u>\$ 5,374</u>                          | <u>\$ 1,770,674</u>                   |
| Expenditures:                           |  |  |                                       |
| Current:                                |  |  |                                       |
| General Government                      | \$ 621,105                                     | \$                                       | \$ 621,105                            |
| Judicial                                | 99,643   |  | 99,643                                |
| Public Safety                           | 189,355  |  | 189,355                               |
| Road & Bridge                           | 1,017,154                                      |  | 1,017,154                             |
| Cultural and Recreation                 | 55,006   |  | 55,006                                |
| Extension Service                       | 88,349   |  | 88,349                                |
| Total Expenditures                      | <u>\$ 2,070,612</u>                            | <u>\$ 0</u>                              | <u>\$ 2,070,612</u>                   |
| Excess of Revenues<br>Over Expenditures | <u>\$ (305,312)</u>                            | <u>\$ 5,374</u>                          | <u>\$ (299,938)</u>                   |
| Other Financing Sources:                |  |  |                                       |
| Sale of Real and Personal Property      | \$ 106,157                                     | \$                                       | \$ 106,157                            |
| Total Other Financing Sources           | <u>\$ 106,157</u>                              | <u>\$ 0</u>                              | <u>\$ 106,157</u>                     |
| Net Change in Fund Balances             | \$ (199,155)                                   | \$ 5,374                                 | \$ (193,781)                          |
| Fund Balances - Beginning               | <u>4,097,905</u>                               | <u>30,833</u>                            | <u>4,128,738</u>                      |
| Fund Balances - Ending                  | <u>\$ 3,898,750</u>                            | <u>\$ 36,207</u>                         | <u>\$ 3,934,957</u>                   |

The accompanying notes are an integral part of this statement.

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KING COUNTY, TEXAS

Exhibit A-6

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

|  |                     |
|--|---------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ (193,781)        |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:   |                     |
| Current year capital outlay payments are expenditures in the Fund Financial Statements, but they should be shown as increases in capital assets in the Government-Wide Financial Statements. The net effect of removing the current year capital outlay is to increase net assets. | 261,678             |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.  | (350,925)           |
| Principal payments are recorded as expenditures in the funds but excluded in the SOA.  | 13,008              |
| Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.  | 32,907              |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.   | 3,690               |
| To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable.  | (1,269)             |
| The change in accrued interest income on investments is reflected in the SOA.  | (6,678)             |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.  | <u>1,377</u>        |
| Change in Net Position of Governmental Activities - Statement of Activities  | <u>\$ (239,993)</u> |

The accompanying notes are an integral part of this statement.

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KING COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2021

|                           | <u>Custodial<br/>Funds</u> |
|---------------------------|----------------------------|
| ASSETS:                   |                            |
| Cash and Cash Equivalents | \$ <u>5,193</u>            |
| LIABILITIES:              |                            |
| Due to Others             | \$ <u>0</u>                |
| NET POSITION:             |                            |
| Unrestricted Net Position | \$ <u><u>5,193</u></u>     |

The accompanying notes are an integral part of this statement.

KING COUNTY, TEXAS

Exhibit A-8

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

|                             | <u>Custodial<br/>Funds</u> |
|-----------------------------|----------------------------|
| ADDITIONS                   |                            |
| Tax Levy and Adjustments    | \$ 3,599,601               |
| Fines and Fees Collected    | 83,491                     |
| Other                       | 937                        |
| Total Additions             | <u>\$ 3,684,029</u>        |
| DEDUCTIONS                  |                            |
| Tax Distributions           | \$ 3,599,651               |
| Fines and Fees Distributed  | 80,946                     |
| Other                       | 1,423                      |
| Total Deductions            | <u>\$ 3,682,020</u>        |
| Change in Net Position      | \$ 2,009                   |
| NET POSITION                |                            |
| October 1, 2020 (Beginning) | 0                          |
| Prior Period Adjustment     | <u>3,184</u>               |
| September 30, 2021 (Ending) | <u>\$ 5,193</u>            |

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. King County, Texas (the County) operates under a county judge/commissioners court type of government as provided by state statute.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2021.

The County is a body, corporate and political, which performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and four Commissioners form the governing body, the Commissioners' Court. Various branches of the County government are led by duly elected officials who serve in their positions. These other elected officials are responsible only to the voters for their performance and for the operations of their individual offices but must seek budget approval from the Commissioners' Court. There are no component units (other governmental entities) over which the County exercises significant controls or has oversight responsibility.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are Government-Wide Financial Statements. They report information on all of the King County non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants, and other intergovernmental revenues.

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the Government-Wide Statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the Government-Wide Statement of Activities.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for the County's operations, they are not included in the Government-Wide Financial Statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and, thus, do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.



KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position.

**D. FUND ACCOUNTING**

The County applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for the fiscal year ended September 30, 2021. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

*Nonspendable Fund Balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

*Restricted Fund Balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

*Committed Fund Balance* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Commissioners' Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

*Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into two fund types: General Fund and Special Revenue Funds. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioner's Court.

The County maintains the following funds:

Major Governmental Fund:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Non-Major Governmental Funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes, or designated to finance particular functions or activities of the County.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Custodial Funds. During the year ended September 30, 2021, the County adopted GASB Statement No. 84 (GASB 84) for Fiduciary Activities. As a result, the agency funds were redefined as custodial funds, which are required to recognize revenues and expenses and maintain a net position. Adoption of GASB 84 required a prior period adjustment to the fiduciary net position in order to report these effects retroactively. The adjustment to beginning fiduciary net position was \$3,184.

**E. OTHER ACCOUNTING POLICIES**

1. The County considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
2. Capital assets include land, buildings and improvements, and vehicles and equipment and are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements and vehicles and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

| Assets                     | Years |
|----------------------------|-------|
| Buildings and Improvements | 22-40 |
| Vehicles and Equipment     | 7-10  |

3. The County provides statutory workers' compensation insurance for its employees through Henderson Agency, Inc., an independent insurance provider.
4. The County reports inventories of raw material using the first-in, first-out method of valuation. Materials are recorded as expenditures when they are consumed.

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

5. In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.
6. In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## II. PROPERTY TAX

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January of 1980.

King County Appraisal District appraises property values in the County. The King County Tax Assessor-Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

**KING COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2021 to finance maintenance and operations of the County was \$0.6830 per \$100 of assessed valuation. The County also has a Farm-to-Market/Flood Control tax rate of \$0.2517 per \$100 of assessed valuation.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2021, the carrying amount of the County's deposits was \$713,851 and the bank balance was \$607,573.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The carrying value of investments (certificates of deposit with original maturity of more than three months and investments through Financial Northeastern Companies (FNC)) at September 30, 2021 was \$3,145,382.

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board require or permit in the statements at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County's investments as of September 30, 2021 were all considered Level 1 and 2.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

That policy does not address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2021 were covered by depository insurance or by pledged collateral held by the County's agent bank.

The County's investments are certificates of deposits with FNB Aspermont and brokered certificates of deposit and money market funds with FNC. These investments are covered by pledged securities and/or FDIC insurance.

**B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

In the Government-Wide Statement of Net Position, the County reported the following receivables:

|                                | <u>Balance</u>   | <u>Allowance</u> | <u>Net</u>       |
|--------------------------------|------------------|------------------|------------------|
| Taxes and Accounts Receivables | \$ 11,854        | \$ 7,400         | \$ 4,454         |
| Interest Receivable            | 7,638            |                  | 7,638            |
| Office Receivables             | 45,713           | 44,580           | 1,133            |
|                                | <u>\$ 65,205</u> | <u>\$ 51,980</u> | <u>\$ 13,225</u> |

Payables at September 30, 2021 were as follows:

|              |                             |
|--------------|-----------------------------|
|              | <u>Accounts<br/>Payable</u> |
| General Fund | \$ <u>16,140</u>            |

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

**C. CAPITAL ASSET ACTIVITY**

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

|  | Balance<br>October 1,<br>2020 | Additions   | Retirements | Balance<br>September 30,<br>2021 |
|--|-------------------------------|-------------|-------------|----------------------------------|
| Governmental Activities                        |                               |             |             |                                  |
| Non-Depreciable Assets                         |                               |             |             |                                  |
| Land   | \$ 24,625                     | \$ 7,611    | \$          | \$ 32,236                        |
| Total Non-Depreciable Assets                   | \$ 24,625                     | \$ 7,611    | \$ 0        | \$ 32,236                        |
| Depreciable Assets                             |                               |             |             |                                  |
| Buildings and Improvements                     | \$ 4,394,561                  | \$          | \$          | \$ 4,394,561                     |
| Vehicles and Equipment                         | 2,694,036                     | 254,067     | 236,900     | 2,711,203                        |
| Total Depreciable Assets                       | \$ 7,088,597                  | \$ 254,067  | \$ 236,900  | \$ 7,105,764                     |
| Totals at Historic Cost                        | \$ 7,113,222                  | \$ 261,678  | \$ 236,900  | \$ 7,138,000                     |
| Less Accumulated Depreciation                  |                               |             |             |                                  |
| Buildings and Improvement                      | \$ 1,528,161                  | \$ 152,040  | \$          | \$ 1,680,201                     |
| Vehicles and Equipment                         | 2,023,456                     | 198,885     | 236,900     | 1,985,441                        |
| Total Accumulated Depreciation                 | \$ 3,551,617                  | \$ 350,925  | \$ 236,900  | \$ 3,665,642                     |
| Governmental Activities Capital<br>Assets, Net | \$ 3,561,605                  | \$ (89,247) | \$ 0        | \$ 3,472,358                     |

Current year depreciation expense was charged to governmental functions as follows:

|                            |            |
|----------------------------|------------|
| General Government         | \$ 54,613  |
| Judicial                   | 38,599     |
| Public Safety              | 25,097     |
| Road and Bridge            | 193,948    |
| Cultural and Recreation    | 35,021     |
| Extension Service          | 3,647      |
| Total Depreciation Expense | \$ 350,925 |

**D. RISK MANAGEMENT**

Workers' Compensation

During the year ended September 30, 2021, employees of the County were covered by a workers' compensation plan administered by Henderson Agency, Inc. The County paid a contribution of \$14,248 for the year ended September 30, 2021. These figures are subject to change based upon actual payroll figures.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Health Care

During the year ended September 30, 2021, employees of the County were covered by a health insurance plan (the Plan). The County paid 100% of each employee's monthly premium plus 50% for dependent coverage. Employees, at their option, authorized payroll withholdings to pay remaining premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The cost to the County for the year ended September 30, 2021 was \$177,966.

**E. RETIREMENT PENSION PLAN**

Plan Description:

The County provides retirement and death benefits for all of its full-time and part-time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 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 service.

Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.



KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the County as of December 31, 2020.

| <u>Net Pension Liability (Asset)</u>                  | <u>Total</u>     |
|---|------------------|
| Total Pension Liability                               | \$ 5,410,518     |
| Less: Plan Fiduciary Net Position                     | (5,362,417)      |
| Net Pension Liability (Asset)                         | <u>\$ 48,101</u> |
| Net Position as Percentage of Total Pension Liability | 99.11%           |

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2020 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2020 included (a) a 7.50% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.60%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 12.01% for 2020. The deposit rate payable by employee members is the rate of seven percent as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

|                                | <u>Contribution Rates</u> |             |
|--------------------------------|---------------------------|-------------|
|                                | <u>2021</u>               | <u>2020</u> |
| Member                         | 7.00%                     | 7.00%       |
| Employer                       | 11.63%                    | 12.01%      |
| FY 2021 Employer Contributions | \$                        | 75,355      |
| FY 2021 Member Contributions   | \$                        | 44,973      |

**KING COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Actuarial Assumptions:

The total pension liability in the 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           |                   |
| Smoothing Period              | 5 years           |
| Recognition Method            | Non-asymptotic    |
| Corridor                      | None              |
| Remaining Amortization Period | 20 years          |
| Discount Rate                 | 7.60%             |
| Long-Term Expected Investment |                   |
| Rate of Return*               | 7.60%             |
| Salary Increases*             | 4.60%             |
| Payroll Growth Rate           | 2.25%             |

*\*Includes Inflation of 2.75%*

The actuarial methods and assumptions are primarily based on a study of the County's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2021 experience study for TCDRS, details of which can be found in the 2021 Investigation and Experience Report on the TCDRS website.

Discount Rate:

The discount rate used to measure the total pension liability was 7.60%. The previous year's discount rate was 8.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2020 are summarized below:

| Asset Class                        | Target Allocation | Long-Term Expected Portfolio Real Rate of Return* |
|------------------------------------|-------------------|---|
| US Equities                        | 11.50%            | 4.25%   |
| Private Equity                     | 25.00%            | 7.25%   |
| Global Equities                    | 2.50%             | 4.55%   |
| International Equities - Developed | 5.00%             | 4.25%   |
| International Equities - Emerging  | 6.00%             | 4.75%   |
| Investment-Grade Bonds             | 3.00%             | -0.85%  |
| Strategic Credit                   | 9.00%             | 2.11%   |
| Direct Lending                     | 16.00%            | 6.70%   |
| Distressed Debt                    | 4.00%             | 5.70%   |
| REIT Equities                      | 2.00%             | 3.45%   |
| Master Limited Partnerships        | 2.00%             | 5.10%   |
| Private Real Estate Partnerships   | 6.00%             | 4.90%   |
| Hedge Funds                        | 6.00%             | 1.85%   |
| Cash Equivalents                   | 2.00%             | -0.70%  |
| <b>Total</b>                       | <b>100.00%</b>    |   |

\* - Geometric real rates of return in addition to assumed inflation of 2.00%, per Cliffwater's 2021 capital market assumptions

\*\* - Target asset allocation adopted at the March 2021 TCDRS Board Meeting.

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the net pension liability (asset) if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.60%) in measuring the 2020 net pension liability (asset).

|                                 | 1% Decrease in<br>Discount Rate (6.6%) | Discount Rate (7.6%) | 1% Increase in<br>Discount Rate (8.6%) |
|---------------------------------|--|----------------------|--|
| Total Pension Liability         | \$ 5,983,355                           | \$ 5,410,518         | \$ 4,918,459                           |
| Fiduciary Net Position          | (5,362,417)                            | (5,362,417)          | (5,362,417)                            |
| Net Pension Liability / (Asset) | \$ 620,938                             | \$ 48,101            | \$ (443,958)                           |

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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

At December 31, 2020, the County reported liability of \$48,101 for its proportionate share of the TCDRS net pension liability.

The net pension liability (asset) was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability (asset) was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2020 through December 31, 2020.

For the plan year ended December 31, 2020, there were no changes in plan provisions.

During the year the plan adopted a new discount rate of 7.60% compared to 8.10% in the prior year. The plan also reduced the inflation rate from 2.75% to 2.50%. Various other assumptions including mortality were also adjusted as a result of the 2021 experience study.

At December 31, 2020, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows (Inflows) of<br>Resources |
|---|--|
| Net Differences Between Expected and Actual Economic Experience | \$ 14,086                                      |
| Changes of Assumptions  | 190,340  |
| Net Difference Between Projected and Actual Earnings            | (193,264)                                      |
| Contributions Paid to TCDRS Subsequent to the Measurement Date  | 55,255   |
| Total   | <u>\$ 66,417</u>                               |

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|            | Amortization of<br>Deferred<br>Outflows/(Inflows) of<br>Resources |
|------------|---|
| 2021       | \$ (10,561)   |
| 2022       | 70,975  |
| 2023       | (25,364)  |
| 2024       | (23,888)  |
| 2025       | 0   |
| Thereafter | 0   |

KING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

At December 31, 2020, the County reported deferred resource outflows and inflows of resources for the TCDRS pension plan as follows:

|  | Deferred<br>Outflows (Inflows) of<br>Resources |
|--|--|
| Total Net Amounts as of December 31, 2019 Measurement Date                   | \$ (125,831)                                   |
| Contributions Made Subsequent to the Measurement Date                        | 55,255   |
| Contributions Made Prior to the Measurement Date                             | (60,260)                                       |
| Net Deferred Outflows/(Inflows) related to the year ending December 31, 2020 | 180,829  |
| Amortization of Deferred Outflows/(Inflows)                                  | 16,424   |
| Total Net Amounts as of December 31, 2020 Measurement Date                   | \$ <u>66,417</u>                               |

Pension Expense:

Pension expense for the plan for the year ended December 31, 2020 was \$42,449 and was calculated as follows:

|  | Pension<br>Expense |
|--|--------------------|
| Service Cost   | \$ 102,345         |
| Interest on Total Pension Liability                        | 394,695            |
| Effect of plan changes                                     |                    |
| Administrative Expenses                                    | 3,924              |
| Member Contributions                                       | (46,838)           |
| Expected Investment Return Net of Investment Expenses      | (400,118)          |
| Amortization of Deferred Inflows and Outflows of Resources | (16,424)           |
| Other  | 4,865              |
| Total Amount as of December 31, 2020                       | \$ <u>42,449</u>   |

Employees Covered by Benefit Terms:

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

|  |           |
|--|-----------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 17        |
| Inactive Employees Entitled to but not Yet Receiving Benefits    | 9         |
| Active Employees   | <u>19</u> |
| Total Plan Employees   | <u>45</u> |

**KING COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**F. INVENTORY**

The County reports inventories of raw material (crushed rock) using the first-in, first-out method of valuation. As of September 30, 2021, the County had crushed rock inventory of \$118,281.

**G. CAPITAL LEASE PAYABLE**

During the year ended September 30, 2021, the County entered into a capital lease agreement to purchase a 2020 Mack Truck. The lease terms include three annual payments of \$16,895 with a balloon payment of \$80,000. The first annual payment is due on September 15, 2020, the second annual payment is due on September 15, 2021, and the third annual payment and balloon payment are both due on September 15, 2022. The implied interest rate is 3.65%. The outstanding balance at September 30, 2021 is \$93,487.

**H. ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Position. At September 30, 2021, accrued employee benefits recorded on the Statement of Net Position were for vacation pay and accumulated compensated time in the amount of \$3,315.

**I. LITIGATION AND COMMITMENTS**

There is no pending litigation against the County at September 30, 2021, that would have a material effect on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

KING COUNTY, TEXAS

Exhibit B-1

**SCHEDULE OF CHANGES IN NET PENSION  
(ASSET) LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|  | <u>12/31/2014</u>   | <u>12/31/2015</u>   | <u>12/31/2016</u>   | <u>12/31/2017</u>   | <u>12/31/2018</u>   | <u>12/31/2019</u>   | <u>12/31/2020</u>   |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL PENSION LIABILITY</b>                                 |                     |                     |                     |                     |                     |                     |                     |
| Service Cost   | \$ 91,869           | \$ 92,167           | \$ 107,823          | \$ 96,593           | \$ 104,790          | \$ 96,565           | \$ 102,345          |
| Interest Cost  | 298,765             | 318,747             | 327,798             | 348,627             | 363,160             | 380,088             | 394,695             |
| Effect of Plan Changes   |                     | (9,569)             |                     |                     | 144,377             |                     |                     |
| Effect of Economic/Demographic Losses                          | 12,079              | (139,594)           | (42,084)            | (66,029)            | (105,975)           | 11,429              | 46,486              |
| Effect of Assumptions Changes or Inputs                        |                     | 40,419              |                     | 22,960              |                     |                     | 253,787             |
| Benefit Payments/Refunds of Contributions                      | <u>(137,954)</u>    | <u>(205,959)</u>    | <u>(159,082)</u>    | <u>(201,999)</u>    | <u>(261,005)</u>    | <u>(318,402)</u>    | <u>(308,452)</u>    |
| Net Change in Total Pension Liability                          | \$ 264,759          | \$ 96,211           | \$ 234,455          | \$ 200,152          | \$ 245,347          | \$ 169,680          | \$ 488,861          |
| Total Pension Liability, Beginning                             | <u>3,711,053</u>    | <u>3,975,812</u>    | <u>4,072,023</u>    | <u>4,306,478</u>    | <u>4,506,630</u>    | <u>4,751,977</u>    | <u>4,921,657</u>    |
| Total Pension Liability, Ending                                | \$ <u>3,975,812</u> | \$ <u>4,072,023</u> | \$ <u>4,306,478</u> | \$ <u>4,506,630</u> | \$ <u>4,751,977</u> | \$ <u>4,921,657</u> | \$ <u>5,410,518</u> |
| <b>FIDUCIARY NET POSITION</b>                                  |                     |                     |                     |                     |                     |                     |                     |
| Employer Contributions   | \$ 78,553           | \$ 72,360           | \$ 72,708           | \$ 72,644           | \$ 74,071           | \$ 77,191           | \$ 80,360           |
| Member Contributions   | 48,791              | 48,332              | 48,243              | 50,000              | 48,823              | 46,262              | 46,838              |
| Benefit Payments/Refunds of Contributions                      | (137,954)           | (205,959)           | (159,082)           | (201,999)           | (261,005)           | (318,402)           | (308,452)           |
| Investment Income, Net of Expenses                             | 260,254             | (34,586)            | 294,842             | 612,490             | (89,732)            | 738,971             | 519,563             |
| Administrative Expenses  | (3,067)             | (2,910)             | (3,201)             | (3,148)             | (3,613)             | (3,835)             | (3,924)             |
| Other  | <u>6,362</u>        | <u>(4,346)</u>      | <u>(23,075)</u>     | <u>(1,093)</u>      | <u>(3,640)</u>      | <u>(5,973)</u>      | <u>(4,865)</u>      |
| Net Change in Fiduciary Net Position                           | \$ 252,939          | \$ (127,109)        | \$ 230,435          | \$ 528,894          | \$ (235,096)        | \$ 534,214          | \$ 329,520          |
| Fiduciary Net Position, Beginning                              | <u>3,848,620</u>    | <u>4,101,559</u>    | <u>3,974,450</u>    | <u>4,204,885</u>    | <u>4,733,779</u>    | <u>4,498,683</u>    | <u>5,032,897</u>    |
| Fiduciary Net Position, Ending                                 | \$ <u>4,101,559</u> | \$ <u>3,974,450</u> | \$ <u>4,204,885</u> | \$ <u>4,733,779</u> | \$ <u>4,498,683</u> | \$ <u>5,032,897</u> | \$ <u>5,362,417</u> |
| <b>NET PENSION (ASSET) LIABILITY</b>                           | \$ <u>(125,747)</u> | \$ <u>97,573</u>    | \$ <u>101,593</u>   | \$ <u>(227,149)</u> | \$ <u>253,294</u>   | \$ <u>(111,240)</u> | \$ <u>48,101</u>    |
| Fiduciary Net Position as a % of Total Pension Liability       | <u>103.16%</u>      | <u>97.60%</u>       | <u>97.64%</u>       | <u>105.04%</u>      | <u>94.67%</u>       | <u>102.26%</u>      | <u>99.11%</u>       |
| County's Covered-Employee Payroll                              | \$ <u>697,012</u>   | \$ <u>690,457</u>   | \$ <u>689,184</u>   | \$ <u>714,292</u>   | \$ <u>697,470</u>   | \$ <u>660,882</u>   | \$ <u>669,112</u>   |
| Net Pension Asset/Liability as a % of Covered Employee Payroll | <u>-18.04%</u>      | <u>14.13%</u>       | <u>14.74%</u>       | <u>-31.80%</u>      | <u>36.32%</u>       | <u>-16.83%</u>      | <u>7.19%</u>        |

Note: Only seven years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

The accompanying notes are an integral part of this statement.



KING COUNTY, TEXAS

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| <u>Year<br/>Ending<br/>September 30,</u> | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Actual<br/>Employer<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Pensionable<br/>Covered<br/>Payroll (1)</u> | <u>Actual Contribution<br/>as a % of Employee<br/>Covered Payroll</u> |
|--|--|---|---|--|---|
| 2015                                     | \$ 73,857  | \$ 73,857                                   | \$ -  | \$ 691,304                                     | 10.68%  |
| 2016                                     | 73,033   | 73,033                                      | -   | 693,060  | 10.54%  |
| 2017                                     | 72,416   | 72,416                                      | -   | 705,805  | 10.26%  |
| 2018                                     | 73,672   | 73,672                                      | -   | 701,170  | 10.51%  |
| 2019                                     | 76,504   | 76,504                                      | -   | 670,644  | 11.41%  |
| 2020                                     | 79,257   | 79,257                                      | -   | 664,389  | 11.93%  |
| 2021                                     | 75,355   | 75,355                                      | -   | 642,466  | 11.73%  |

Note: Only seven years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

The accompanying notes are an integral part of this statement.

KING COUNTY, TEXAS

Exhibit B-3

**BUDGETARY COMPARISON - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|   | (Unaudited)<br>Budgeted Amounts |                     | Actual              | Variance with<br>Final Budget<br>Positive or<br>(Negative) |
|---|---------------------------------|---------------------|---------------------|--|
|   | Original                        | Final               |                     |  |
| Revenue:                                |                                 |                     |                     |  |
| Taxes:                                  |                                 |                     |                     |  |
| Property Taxes                          | \$ 1,571,342                    | \$ 1,571,342        | \$ 1,570,792        | \$ (550)   |
| License and Permits                     | 18,000                          | 18,000              | 20,548              | 2,548  |
| Intergovernmental Revenue and Grants    | 25,847                          | 25,847              | 92,878              | 67,031   |
| Charges for Services                    | 2,800                           | 2,800               | 9,829               | 7,029  |
| Fines and Fees                          | 6,000                           | 6,000               | 16,263              | 10,263   |
| Investment Earnings                     | 40,000                          | 40,000              | 31,494              | (8,506)  |
| Rents and Royalties                     | 1,200                           | 1,200               | 1,200               | 0  |
| Other Revenue                           | 499,134                         | 499,134             | 22,296              | (476,838)  |
| Total Revenues                          | <u>\$ 2,164,323</u>             | <u>\$ 2,164,323</u> | <u>\$ 1,765,300</u> | <u>\$ (399,023)</u>  |
| Expenditures:                           |                                 |                     |                     |  |
| Current:                                |                                 |                     |                     |  |
| General Government                      | \$ 656,973                      | \$ 614,382          | \$ 621,105          | \$ (6,723)   |
| Judicial                                | 110,432                         | 99,529              | 99,643              | (114)  |
| Public Safety                           | 416,835                         | 187,666             | 189,355             | (1,689)  |
| Road and Bridge                         | 834,385                         | 746,172             | 1,017,154           | (270,982)  |
| Cultural and Recreation                 | 56,380                          | 55,006              | 55,006              | 0  |
| Extension Service                       | 89,318                          | 88,248              | 88,349              | (101)  |
| Total Expenditures                      | <u>\$ 2,164,323</u>             | <u>\$ 1,791,003</u> | <u>\$ 2,070,612</u> | <u>\$ (279,609)</u>  |
| Excess of Revenues<br>Over Expenditures | <u>\$ 0</u>                     | <u>\$ 373,320</u>   | <u>\$ (305,312)</u> | <u>\$ (678,632)</u>  |
| Other Financing Sources:                |                                 |                     |                     |  |
| Sale of Real and Personal Property      | \$                              | \$                  | \$ 106,157          | \$ 106,157   |
| Transfers Out                           |                                 | (744,278)           |                     | 744,278  |
| Total Other Financing Sources           | <u>\$ 0</u>                     | <u>\$ (744,278)</u> | <u>\$ 106,157</u>   | <u>\$ 850,435</u>  |
| Net Change in Fund Balances             | \$ 0                            | \$ (370,958)        | \$ (199,155)        | \$ 171,803   |
| Fund Balances - Beginning               | <u>4,097,905</u>                | <u>4,097,905</u>    | <u>4,097,905</u>    |  |
| Fund Balances - Ending                  | <u>\$ 4,097,905</u>             | <u>\$ 3,726,947</u> | <u>\$ 3,898,750</u> | <u>\$ 171,803</u>  |

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**A. PENSION PLAN**

**CHANGES OF BENEFIT TERMS**

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

**CHANGES OF ASSUMPTIONS**

There were new inflation, mortality, and other assumptions that affected measurement of the total pension liability during the measurement period.

**B. BUDGETARY DATA**

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

1. In the event the Commissioners' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.
2. Public hearings are conducted at the King County Courthouse to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
4. Any amendments altering expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
5. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.
6. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
7. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended September 30, 2021.

**C. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The excess expenditures over appropriations were covered by available unassigned fund balance and other financing sources.

**COMBINING STATEMENTS**

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KING COUNTY, TEXAS

Exhibit C-1

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

|                                       | <u>Sheriff<br/>Education<br/>Fund</u> | <u>JP<br/>Technology<br/>Fund</u> | <u>Courthouse<br/>Security<br/>Fund</u> | <u>Records<br/>Management<br/>Fund</u> | <u>Total<br/>Non-Major<br/>Governmental<br/>Funds</u> |
|---------------------------------------|---------------------------------------|-----------------------------------|---|--|---|
| <b>ASSETS:</b>                        |                                       |                                   |   |  |   |
| Cash and Cash Equivalents             | \$ <u>3,760</u>                       | \$ <u>242</u>                     | \$ <u>475</u>                           | \$ <u>31,730</u>                       | \$ <u>36,207</u>                                      |
| Total Assets                          | \$ <u><u>3,760</u></u>                | \$ <u><u>242</u></u>              | \$ <u><u>475</u></u>                    | \$ <u><u>31,730</u></u>                | \$ <u><u>36,207</u></u>                               |
| <b>LIABILITIES AND FUND BALANCES:</b> |                                       |                                   |   |  |   |
| <b>LIABILITIES:</b>                   |                                       |                                   |   |  |   |
| Total Liabilities                     | \$ <u>0</u>                           | \$ <u>0</u>                       | \$ <u>0</u>                             | \$ <u>0</u>                            | \$ <u>0</u>   |
| <b>FUND BALANCES:</b>                 |                                       |                                   |   |  |   |
| Restricted For:                       |                                       |                                   |   |  |   |
| Sheriff Education                     | \$ 3,760                              |                                   |   |  | \$ 3,760  |
| JP Technology                         |                                       | 242                               |   |  | 242   |
| Courthouse Security                   |                                       |                                   | 475                                     |  | 475   |
| Records Management                    |                                       |                                   |   | 31,730                                 | 31,730  |
| Total Fund Balances                   | \$ <u>3,760</u>                       | \$ <u>242</u>                     | \$ <u>475</u>                           | \$ <u>31,730</u>                       | \$ <u>36,207</u>                                      |
| Total Liabilities and Fund Balances   | \$ <u><u>3,760</u></u>                | \$ <u><u>242</u></u>              | \$ <u><u>475</u></u>                    | \$ <u><u>31,730</u></u>                | \$ <u><u>36,207</u></u>                               |

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KING COUNTY, TEXAS

Exhibit C-2

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

|                                      | <u>Sheriff<br/>Education<br/>Fund</u> | <u>JP<br/>Technology<br/>Fund</u> | <u>Courthouse<br/>Security<br/>Fund</u> | <u>Records<br/>Management<br/>Fund</u> | <u>Total<br/>Non-Major<br/>Governmental<br/>Funds</u> |
|--------------------------------------|---------------------------------------|-----------------------------------|---|--|---|
| Revenue:                             |                                       |                                   |   |  |   |
| Fines and Fees                       | \$                                    | \$ 144                            | \$ 240                                  | \$ 4,298                               | \$ 4,682  |
| Intergovernmental Revenue and Grants | 692                                   |                                   |   |  | 692   |
| Total Revenues                       | <u>\$ 692</u>                         | <u>\$ 144</u>                     | <u>\$ 240</u>                           | <u>\$ 4,298</u>                        | <u>\$ 5,374</u>                                       |
| Expenditures:                        |                                       |                                   |   |  |   |
| Current:                             |                                       |                                   |   |  |   |
| General Government                   | \$                                    | \$                                | \$                                      | \$                                     | \$ 0  |
| Public Safety                        |                                       |                                   |   |  | 0   |
| Total Expenditures                   | <u>\$ 0</u>                           | <u>\$ 0</u>                       | <u>\$ 0</u>                             | <u>\$ 0</u>                            | <u>\$ 0</u>   |
| Net Change in Fund Balances          | \$ 692                                | \$ 144                            | \$ 240                                  | \$ 4,298                               | \$ 5,374  |
| Fund Balances - Beginning            | <u>3,068</u>                          | <u>98</u>                         | <u>235</u>                              | <u>27,432</u>                          | <u>30,833</u>   |
| Fund Balances - Ending               | <u><u>\$ 3,760</u></u>                | <u><u>\$ 242</u></u>              | <u><u>\$ 475</u></u>                    | <u><u>\$ 31,730</u></u>                | <u><u>\$ 36,207</u></u>                               |

**OTHER INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**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**

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of King 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, and have issued our report thereon dated January 26, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

January 26, 2022