NEW ISSUE BOOK-ENTRY-ONLY

Rating: Moody's "Aa1"
(See "OTHER PERTINENT INFORMATION - Ratings", herein)

OFFICIAL STATEMENT
Dated: August 16, 2022

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the County (defined herein) after the date of initial delivery of the Certificates (defined herein) to the Underwriters (defined herein) with certain covenants contained in the Order (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

$14,120,000
MCLENNAN COUNTY, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: August 1, 2022 **Due: June 1, as shown on page ii**

The McLennan County, Texas (the "County" or the "Issuer") $14,120,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Local Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended and an order (the "Order") adopted by the Commissioners Court on August 16, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the County, within the limits prescribed by law and additionally by a lien on and pledge of the Pledged Revenues (as defined in the Order) derived from the operation of the County's library system. The County has previously authorized the issuance of the Previously Issued Parity Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Pledged Revenues of the library system as described in the orders authorizing the issuance of the currently outstanding Previously Issued Parity Obligations. In the Order, the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations (each as defined in the Order) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2022 (the "Dated Date") as shown above and will be payable on each June 1 and December 1, commencing December 1, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including the County Records Building, the County Archives Building, and the County Courthouse; (3) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for County public safety purposes, including the County's Public Safety Radio Tower Project; (4) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for the County Court system; (5) acquiring, designing, constructing, renovating, repairing, and improving stormwater facilities, including culverts, low water crossings, ditches, and any utilities relocation and/or road improvement incidental thereto; (6) purchasing voting equipment; (7) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (8) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel and "OTHER PERTINENT INFORMATION – Legal Opinions and No-Litigation Certificate" herein). Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Certificates will be available for delivery through DTC on or about September 14, 2022.

FHN Financial Capital Markets **Frost Bank**

STATED MATURITY SCHEDULE
(Due June 1)
Base CUSIP – 582171[(a)]

$11,625,000 Serial Certificates

Stated Maturity June 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2023	$ 1,225,000	5.000%	2.050%	TD6
2024	1,800,000	5.000%	2.050%	TE4
2025	400,000	5.000%	2.050%	TF1
2026	420,000	5.000%	2.060%	TG9
2027	440,000	5.000%	2.080%	TH7
2028	465,000	5.000%	2.250%	TJ3
2029	490,000	5.000%	2.380%	TK0
2030	510,000	5.000%	2.460%	TL8
2031	535,000	5.000%	2.580%	TM6
2032	565,000	5.000%	2.690%[(b)]	TN4
2033	590,000	5.000%	2.850%[(b)]	TP9
2034	620,000	5.000%	2.960%[(b)]	TQ7
2035	655,000	5.000%	3.040%[(b)]	TR5
2036	685,000	4.000%	3.410%[(b)]	TS3
2037	715,000	4.000%	3.490%[(b)]	TT1
2038	740,000	4.000%	3.580%[(b)]	TU8
2039	770,000	4.000%	3.670%[(b)]	TV6

$2,495,000 Term Certificates

$2,495,000 4.000% Term Certificates due June 1, 2042 and priced to yield 3.890%[(b)] 582171TW4

(Interest to accrue from the Dated Date)

The Issuer reserves the right, at its sole option, to redeem the Certificates maturing on and after June 1, 2032, on June 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on June 1, 2042 will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

(a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the County, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on June 1, 2031 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

MCLENNAN COUNTY, TEXAS

501 Washington, Room 214
Waco, Texas 76701
(254) 757-5049
(254) 757-5196 (Fax)

ELECTED OFFICIALS

Name	Title	Date First Elected	Term Expires
Scott Felton	County Judge	2012	2022
Jim Smith	Commissioner, Precinct 1	2020	2024
Patricia Miller	Commissioner, Precinct 2	2018	2022
Will Jones	Commissioner, Precinct 3	2012	2024
Ben Perry	Commissioner, Precinct 4	2010	2022

ADMINISTRATION

Name	Position	Years With The County
Frances Bartlett	County Auditor	16 years
Dustin Chapman	County Administrator	10 Years
Andy Harwell	County Clerk	27 Years
Bill Helton	County Treasurer	29 Years
Randy Riggs	Tax Assessor-Collector	9 Years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Austin, Texas
Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Ms. Frances Bartlett
County Auditor
McLennan County
214 North 4th Street, Suite 100
Waco, Texas 76701
(254) 757-5156 (Phone)
Frances.bartlett@co.mclennan.tx.us

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
mmcliney@samcocapital.com

Mr. Andrew Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the County that the County believes to be reliable, but the County makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to, their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The agreements of the County and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Underwriters of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

None of the County, its Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding either the Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

TABLE OF CONTENTS

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	McLennan County, Texas (the "County" or "Issuer") was created and organized in 1850. The Issuer is a political subdivision of the State of Texas and operates using a commission form of government under the statutes and the Constitution of the State of Texas. The 2020 census for the County was 256,623. The 2021/2022 estimated population is 263,904. (See "Appendix B - General Information Regarding McLennan County and the City of Waco, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and an order (the "Order") adopted by the Commissioners Court on August 16, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the County, within the limits prescribed by law and additionally by a lien on and pledge of the Pledged Revenues (as defined in the Order) derived from the operation of the County's library system. The County has previously authorized the issuance of the Previously Issued Parity Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Pledged Revenues of the library system as described in the orders authorizing the issuance of the currently outstanding Previously Issued Parity Obligations. In the Order, the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations (each as defined in the Order) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" herein).
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after June 1, 2032, on June 1, 2031 or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on June 1, 2042 will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described herein, including the alternative minimum tax. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including the County Records Building, the County Archives Building, and the County Courthouse; (3) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for County public safety purposes, including the County's Public Safety Radio Tower Project; (4) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for the County Court system; (5) acquiring, designing, constructing, renovating, repairing, and improving stormwater facilities, including culverts, low water crossings, ditches, and any utilities relocation and/or road improvement incidental thereto; (6) purchasing voting equipment; (7) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (8) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Certificates. An explanation of the significance of such rating, once received, may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The County does not anticipate the issuance of additional general obligation debt during the next twelve (12) months.
Payment Record	The County has never defaulted on the payment of its tax-supported indebtedness.
Delivery	When issued, anticipated on or about September 14, 2022.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

$14,120,000
MCLENNAN COUNTY, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by McLennan County, Texas (the "County" or the "Issuer") of its $14,120,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates under the statutes and the Constitution of the State. The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and an order (the "Order") adopted by the Commissioners Court on August 16, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the County. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Certificates. The County, however, cannot predict what effect the continued spread of COVID-19 will have on the finances or operations and maintenance of the County.

In July 2020 the County was awarded $2,383,865 through the Coronavirus Relief Fund provided under the CARES (Coronavirus Aid, Relief, and Economic Security) Act and in June of 2021 was awarded $49,846,009 through the SLFRF (State and Local Fiscal Recovery Funds) provided under the American Rescue Plan Act. $10,000,000 of the SLFRF funding is eligible to be used for the provision of government services as deemed necessary by the Commissioners Court.

The County continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the County. While the potential impact of the Pandemic on the County cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the County's operations and financial condition, and the effect could be material.

THE CERTIFICATES

General

The Certificates are dated August 1, 2022 (the "Dated Date"). The Certificates are stated to mature on June 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on each June 1 and December 1, commencing December 1, 2022 until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and the Order.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the County, within the limits prescribed by law and additionally by a lien on and pledge of the Pledged Revenues (as defined in the order) derived from the operation of the County's library system. The County has previously authorized the issuance of the Previously Issued Parity Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Pledged Revenues of the library system as described in the order authorizing the issuance of the currently outstanding Previously Issued Parity Obligations. In the orders, the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations (each as defined in the Order) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "COUNTY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including the County Records Building, the County Archives Building, and the County Courthouse; (3) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for County public safety purposes, including the County's Public Safety Radio Tower Project; (4) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for the County Court system; (5) acquiring, designing, constructing, renovating, repairing, and improving stormwater facilities, including culverts, low water crossings, ditches, and any utilities relocation and/or road improvement incidental thereto; (6) purchasing voting equipment; (7) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (8) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources		
Par Amount of the Certificates	$	14,120,000.00
Accrued Interest on the Certificates		77,871.81
Reoffering Premium		1,096,216.35
Total Sources of Funds	$	15,294,088.16
Uses		
Project Fund Deposit	$	15,000,000.00
Underwriters' Discount		88,226.25
Certificate Fund Deposit		79,711.91
Costs of Issuance		126,150.00
Total Uses	$	15,294,088.16

Redemption Provisions of the Certificates

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after June 1, 2032 on June 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

In addition, the Certificates maturing on June 1, 2042 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. The Term Certificates are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Certificate
June 1, 2042

Redemption Date	Principal Amount
June 1, 2040	$800,000
June 1, 2041	830,000
June 1, 2042*	865,000

* Payable at Stated Maturity

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the County, by the principal amount of any Term Certificates which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the County at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the County at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE CERTIFICATEHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Certificates of a particular stated maturity, the Paying Agent/Registrar is required to select the Certificates of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Certificates of a denomination larger than $5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The County has never defaulted on the payment of its tax-supported indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Order provides the Certificates shall be deemed to have been paid when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise) shall have been irrevocably deposited with the Paying Agent/Registrar, or other authorized escrow agent, in trust (i) money sufficient to make such payment; (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates; or (3) a combination of both. In the event all or a portion of such deposit consists of Government Securities, an independent accounting firm the County's financial advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order, shall provide a report or findings which concludes such Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to pay the full amount due and owed on such Certificates at and prior to their Stated Maturity or redemption date. The term "Government Securities" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized statistical rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the County has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the County to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the County to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the County has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the County (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The County may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then Outstanding amend, add to, or rescind any of the provisions of the Order, except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal or, premium, if any, and interest on the Certificates, reduce the principal amount thereof, or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate or (iii) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition or rescission.

Default and Remedies

The Order does not specify events of default with respect to the Certificates. If the County defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Order and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the County's sovereign immunity from a suit for money damages, certificateholders may not be able to bring such a suit against the County for breach of the Certificates or Order covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9 and the pledge of a specific source of revenues, such as the Pledged Revenues, is subject to judicial discretion. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates will be printed and delivered to the registered owners thereof, and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system initially to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transferability

Neither the County nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of authenticity of ownership thereof and of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct

Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the County, the Financial Advisor, or the initial purchaser of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The County invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the Commissioners Court of the County. Both State law and the County's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The County may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the County may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the County may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the County is not required to liquidate the investment unless it no longer carries a required rating, in which case the County is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the County is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The County is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the County's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The County is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments

State law does not require the Issuer to periodically mark its investments to market price, and the Issuer does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the Issuer's audited financial statements. Given the nature of its investments, the Issuer does not believe that the market value of its investments differs materially from book value.

As of May 31, 2022 (unaudited), the Issuer's investable funds were invested as shown below.

Fund and Investment Type	Governmental Operating Fund	McLennan Co Public Facility Corporation*	Total Investments Amount	Percentage of Total Portfolio
Certificates of Deposit	$ 36,443,877	-	$ 36,443,877	17.87%
TexPool/TexStar	141,664,378	-	141,664,378	69.48%
US Govt Agencies & Treasuries	10,068,738		10,068,738	4.94
Collateralized Savings Accounts	5,124,148	10,597,052	15,721,200	7.71%
Total Investments	**$ 193,301,141**	**$ 10,597,052**	**$ 203,898,193**	**100.00%**

* See "Table 3 – McLennan County Public Facility Corporation" for a description of this component unit of the County.

As of such date, the market value of such investments (as determined by the County by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P Global Ratings. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description: The County's OPEB provides health benefits to eligible retired employees of the County and is a single employer plan administered by the County. Separately issued financial statements are not available for the plan. McLennan County Commissioners Court has the authority to establish and amend the benefits of the plan.

Plan Participants: Members are eligible for retirement with TCDRS at age 60 with 8 years of service, or at any age with 30 years of service, or when age plus years of service equals 75.

For more complete information regarding the County's retirement plan and net pension liability, see Note II. (f), pages 68-72 of the Notes to the excerpts of the Issuer's Audited Financial Statements contained herein as Appendix D.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the County is the responsibility of the McLennan County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the County, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – County and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED. . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS. . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY. . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES. . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS. . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the County, see "COUNTY APPLICATION OF PROPERTY TAX CODE" herein.

COUNTY AND TAXPAYER REMEDIES. . .Under certain circumstances, taxpayers and taxing units, including the County, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $50 million for the 2020 tax year and $50.6 million for the 2021 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES. . . The County is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the County. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

COUNTY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES. . . Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The County's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the County is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations. The following terms as used in this section have the meanings provided below:

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). Certain counties for which certain expenditures for indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue tax rate proportionately with such expenditures in the manner provided by the Property Tax Code.

"special taxing unit" means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a county's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a county's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the unused increment rate.

The County's tax rate consists of two components: (1) rates for funding of maintenance and operations expenditures in the current year, which may additionally include the Road and Bridge Maintenance Tax and the Farm-to-Market Road and Flood Control Tax, if levied (collectively, the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the County must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the Commissioners Court by August 1 or as soon as practicable thereafter.

A county must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a county fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the county for the preceding tax year.

As described below, the Property Tax Code provides that if a county adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the county appraisal district has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

If a county's adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a county does not qualify as a special taxing unit, if a county's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the county's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County's tax-supported debt obligations, including the Certificates. See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" for a description of the debt service tax rate limitations applicable to the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS. . . Article VIII, Section 9 of the Texas Constitution imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service on bonds or other debt issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate, as calculated at the time of issuance.

Article III, Section 52 of the Texas Constitution authorizes the County to levy a direct, continuing ad valorem tax on all taxable property within the County, without limit as to rate or amount to pay the principal of and interest on the County's road bonds if approved by the voters in the County. The principal amount of unlimited tax road bonds issued by the County and outstanding at any point in time, aggregated with outstanding unlimited tax debt of certain road districts located within the County cannot exceed 25% of the assessed valuation of all real property located in the County.

Article VIII, Section 9 of the Texas Constitution and State statute authorize the County to levy a special Road and Bridge Fund Tax (the "Road and Bridge Maintenance Tax") in an amount not to exceed $0.15 per $100 assessed valuation, no part of which may be used for debt service, if approved by the voters.

Article VIII, Section 1-a of the Texas Constitution and State statute permit the County to levy a tax for Farm-to-Market Road and Flood Control purposes (the "Farm-to-Market Road and Flood Control Tax") in an amount not to exceed $0.30 per $100 assessed valuation after the mandatory $3,000 homestead exemption, if approved by the voters. There is no allocation prescribed by statutes between debt service and maintenance.

Section 1301.003, Texas Government Code, as amended, limits the amount of limited tax obligations of counties issue pursuant to such authority for those certain purposes as follows:

Courthouse	2% of Taxable Assessed Valuation
Jail	1 1/2% of Taxable Assessed Valuation
Courthouse and Jail	3 1/2% of Taxable Assessed Valuation
Bridge	1 1/2% of Taxable Assessed Valuation

However, courthouse, jail, and certain other types of bonds may be issued under the authority of Section 1431.101, Texas Government Code, as amended, which removes the above limitations.

COUNTY APPLICATION OF THE PROPERTY TAX CODE

The County grants a local exemption of $35,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The County grants an additional exemption of up to 20% of the market value of residence homesteads (minimum exemption of $5,000).

The County does not tax nonbusiness personal property.

The County does not allow discounts for the early payment of taxes or split (installment) payments except as provided by State law for persons 65 years of age and older.

The County took action before January 1, 1990 to tax Article VIII, Section 1-j ("freeport") exempt property. The County took action on December 12, 2000 to grant freeport exemptions effective January 1, 2002.

The County does not grant an exemption for goods-in-transit.

The County participates in four Tax Increment Reinvestment Zones with a cumulative captured TIRZ Value of $588,305,376. The estimated loss of County tax revenue to the TIRZs is $2,128,606.

The County has entered into various agreements that reduce property taxes. Agreements for a reduction of taxable values call for a reduction of 5% to 90% for 4 to 10 years. Each developer requires a monetary commitment and a minimum employment requirement. For fiscal year 2021, the County did not rebate any amounts in property taxes. On July 2, 2019, the Commissioners Court approved the framework of a tax abatement program with Prairie Hill Wind Project, LLC, which proposes placing 100 turbines in the County and Limestone County, Texas. Under the terms of the agreement, the County would receive $50,000 payments annually from the developer during the 10-year life of the abatement contract. The County may consider additional abatements in the future if they happen to meet the adopted criteria.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in Appendix C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the County made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the County with the provisions of the Order subsequent to the issuance of the Certificates. The Order contains covenants by the County with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested if required, the calculation and payment to the United States Treasury of any arbitrage "profits", and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the County described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the County as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the County may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Registered Owners of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

In the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the State and local tax consequences of owning and disposing of Premium Certificates.

LIBRARY SYSTEM

The County currently maintains a law library (the "County Law Library"), available to the public exclusively for legal research purposes. The County created the Law Library Fund, pursuant to former Article 1702h, Vernon's Texas Civil Statutes, (now codified as Chapter 323, Texas Local Government Code, as amended) for the establishment and maintenance of the County Law Library. Revenues are derived from law library fees assessed against each civil case filed in the County courts-at-law and in the district courts, excluding tax suits. See "Table 18 – County Library System Historical Revenues" herein for the fees generated from these court charges.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates.

Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market (“EMMA”) system at www.emma.msrb.org, as further described below under “Availability of Information from MSRB”.

Annual Reports

Under Texas law, including, but not limited to, Chapter 115, as amended, Texas Local Government Code, the County must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant and must maintain each audit report with the County Auditor. The County’s fiscal records and audit reports are available for public inspection during the regular business hours of the County Auditor. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Public Information Act, as amended, Texas Government Code, Chapter 552. Thereafter, any person may obtain copies of these documents upon submission of a written request to the County Auditor at the McLennan County Auditor, 214 North 4th Street, Suite 100, Waco, Texas 76701, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type disclosed in Tables 1, 2, 6, 7 and 11 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2022. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer’s current fiscal year end is September 30. Accordingly, the Issuer must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule")

Notice of Certain Events

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten Business Days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the County, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the County, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the County, any of which reflect financial difficulties. In the Order, the County will adopt policies and procedures to ensure timely compliance of its continuing disclosure obligations. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, (a) any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County and (b) the County intends the words used in the immediately preceding paragraphs (15) and (16) to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the County has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The County agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the County shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Litigation

The County is a defendant on various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Future Debt Issuance

The County does not anticipate the issuance of additional general obligation debt during the next twelve (12) months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the County has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school and other political subdivisions of the State, and are legal security for those deposits to the extent of the market value.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date thereof. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed the information under the captions “THE CERTIFICATES” (except for the information contained in the subcaptions “Payment Record” and “Default and Remedies”, as to which no opinion is expressed), “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Agreements”, as to which no opinion is expressed), “OTHER INFORMATION–Registration and Qualification of Certificates For Sale”, “OTHER PERTINENT INFORMATION–Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER INFORMATION–Legal Opinions and No-Litigation Certificate” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Order. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of Underwriters’ counsel are contingent on the delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Certificates. A rating reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the County for the investment of debt proceeds or other funds of the County upon the request of the County.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the County at a price of $15,127,990.10 (representing the par amount of the Certificates of $14,120,000.00, plus a reoffering premium of $1,096,216.35, and less an Underwriters' discount of $88,226.25), and accrued interest on the Certificates in the amount of $77,871.81.

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in late 2022 or early 2023 pending regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the County and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. The County's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Order contained in this Official Statement are made subject to all of the provisions of such statues, documents and Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

The Order authorizing the issuance of the Certificates approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Certificates by the Underwriter.

This Official Statement has been approved by the Commissioners Court of the Issuer for distribution in accordance with the provisions of the Rule.

MCLENNAN COUNTY, TEXAS

/s/ Scott Felton
County Judge
McLennan County, Texas
Scott Felton

ATTEST:

/s/ Andy Harwell
County Clerk
McLennan County, Texas
Andy Harwell

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2022 Actual Market Value of Taxable Property (100% of Actual)[a]		$ 37,098,463,938
Less Exemptions:		
Optional Over-65 and/or Disabled	$ 735,897,427	
Optional Percentage Homestead	2,623,801,680	
Disabled and Deceased Veterans Exemption	507,314,059	
Freeport Exemption	545,389,344	
Pollution Exemption	103,995,425	
Productivity Value Loss	2,091,027,216	
Abatement & Property Redevelopement	231,097,731	
Other	18,189,346	
10% Homestead Cap Loss	2,437,654,681	
Totally Exempt Property	3,797,091,294	13,091,458,203
2022 Certified Net Taxable Assessed Valuation		$ 24,007,005,735
Less Adjustments:		
Value Captured by Tax Increment Reinvestment Zones		989,396,902
2022 TIRZ Adjusted Net Taxable Assessed Valuation		$ 23,017,608,833

Source: McLennan County Appraisal District

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding: (As of July 1, 2022)	
General Obligation Refunding Bonds, Series 2014	$ 485,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	7,125,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	6,560,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	19,785,000
General Obligation Bonds, Series 2020	12,690,000
Certificates of Obligation, Series 2021	13,535,000
Total General Obligation Debt Principal Outstanding:	$ 60,180,000
Current Issue General Obligation Debt Principal	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates")	$ 14,120,000
Total General Obligation Debt Principal Outstanding Following Issuance of the Certificates:	$ 74,300,000
General Obligation Interest and Sinking Fund Balance as of April 30, 2022.	$ 1,742,884
Ratio of General Obligation Debt Principal to 2022 Adjusted Net Taxable Assessed Valuation	0.32%
2022 Freeze Adjusted Net Taxable Assessed Valuation[a]	$ 23,017,608,833
Population: 1990 -189,123; 2000 - 213,517; 2010 - 234,906; 2020 - 260,579; Current Estimate -	263,904
Per Capita 2022 Freeze Adjusted Net Taxable Assessed Valuation -	$87,220
Per Capita General Obligation Debt Principal -	$282

[a] *See "AD VALOREM TAX PROCEDURES" and "COUNTY APPLICATION OF THE PROPERTY TAX CODE" in the body of the Official Official Statement for a description of the Issuer's taxation procedures.*

Sources: Texas Municipal Reports, U.S. Census, and information received from the Issuer.

Capital Leases:

The County leases some of its assets under capital leases. The economic substance of the capital leases is that the County is financing the acquisition of these assets through the leases over their terms. Accordingly, these acquisitions are reflected in the County's assets and liabilities. Under State law, the County may not legally obligate the revenue of future years to liquidate any lease obligations due in those years. Therefore, non-appropriation clauses exist in each lease agreement with the provision that in the event funds are not appropriated for the rental payments tentatively required for the next fiscal year, the lessee may terminate that lease agreement.

The County assumes responsibility for all costs and expenses arising from the use, possession and maintenance of all equipment held under the leases. At the end of each of the lease agreements, the security interest of the lessor in the equipment held under the lease is released.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, all governmental activities, were as follows:

Fiscal Year Ending September 30,		Obligation
2022		50,373
2023		50,373
2024		50,373
2025		179,281
Total minimum lease payments	$	330,400
Less amount representing interest		(59,989)
Present value of minimum lease payment	$	270,411

McLennan County Public Facility Corporation:

McLennan County, Texas (the "County") formed the McLennan County Public Facility Corporation (the "Corporation"), a nonprofit corporation organized under Chapter 303 of the Texas Local Government Code. The Corporation is treated in the County's financial statements as a blended component unit, which while legally a separate entity, is in substance, part of the County's operations.

At September 30, 2021, the Corporation, presented as a blended component unit of McLennan County, had $36,250,000 million in revenue bonds outstanding. The revenue bonds are the liability of the Corporation but are subject to appropriation from the County if the facility does not generate sufficient Project Revenues. The County has previously appropriated funds for debt service. Revenues from rental of jail space to third party entities is the source of funding for debt service on the revenue bonds and is used to cover all the expenses of the acquired jail's operations. The revenue bonds are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P").

The following table sets forth the debt service requirements for the Corporation's Bonds.

Fiscal Year Ended 9/30	Principal	Interest	Total
2022	$ 1,820,000	$ 1,530,627	$ 3,350,627
2023	1,875,000	1,476,027	3,351,027
2024	1,940,000	1,415,089	3,355,089
2025	2,010,000	1,344,085	3,354,085
2026	2,085,000	1,265,695	3,350,695
2027	2,170,000	1,184,380	3,354,380
2028	2,255,000	1,099,750	3,354,750
2029	2,345,000	1,011,805	3,356,805
2030	2,430,000	920,350	3,350,350
2031	2,545,000	807,112	3,352,112
2032	2,665,000	688,515	3,353,515
2033	2,790,000	564,326	3,354,326
2034	2,920,000	434,312	3,354,312
2035	6,400,000	298,240	6,698,240
	$36,250,000	$14,040,312	$50,290,312

The County took control of the Jack Harwell Detention Center on October 1, 2019 after LaSalle Corrections agreed to the transfer in May 2019. The County built the 1,162-bed jail adjacent to the McLennan County Jail in 2010 and hired private for-profit companies to run it since it opened. In fiscal year 2021 total revenues were $9,888,891 and operating expenditures totaled $1,701,350.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fiscal Year 30-Sep	Currently Outstanding Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Total	Combined Debt Service
2022	$ 4,529,111.01	$ -	$ -	$ -	$ 4,529,111.01
2023	4,744,660.00	1,225,000.00	543,291.67	1,768,291.67	6,512,951.67
2024	4,457,185.00	1,800,000.00	590,700.00	2,390,700.00	6,847,885.00
2025	4,463,235.00	400,000.00	500,700.00	900,700.00	5,363,935.00
2026	4,452,835.00	420,000.00	480,700.00	900,700.00	5,353,535.00
2027	4,457,435.00	440,000.00	459,700.00	899,700.00	5,357,135.00
2028	4,456,435.00	465,000.00	437,700.00	902,700.00	5,359,135.00
2029	4,460,935.00	490,000.00	414,450.00	904,450.00	5,365,385.00
2030	4,459,535.00	510,000.00	389,950.00	899,950.00	5,359,485.00
2031	4,453,235.00	535,000.00	364,450.00	899,450.00	5,352,685.00
2032	4,464,385.00	565,000.00	337,700.00	902,700.00	5,367,085.00
2033	4,461,000.00	590,000.00	309,450.00	899,450.00	5,360,450.00
2034	4,460,125.00	620,000.00	279,950.00	899,950.00	5,360,075.00
2035	4,453,343.76	655,000.00	248,950.00	903,950.00	5,357,293.76
2036	4,458,158.76	685,000.00	216,200.00	901,200.00	5,359,358.76
2037	3,853,893.76	715,000.00	188,800.00	903,800.00	4,757,693.76
2038	3,303,593.76	740,000.00	160,200.00	900,200.00	4,203,793.76
2039	3,307,443.76	770,000.00	130,600.00	900,600.00	4,208,043.76
2040	1,794,243.76	800,000.00	99,800.00	899,800.00	2,694,043.76
2041	934,443.76	830,000.00	67,800.00	897,800.00	1,832,243.76
2042	-	865,000.00	34,600.00	899,600.00	899,600.00
	$ 80,425,232.33	$ 14,120,000.00	$ 6,255,691.67	$ 20,375,691.67	$ 100,800,924.00

TAX ADEQUACY **TABLE 5**

2022 Freeze Adjusted Net Taxable Assessed Valuation	$ 23,017,608,833
Maximum Annual Debt Service Requirements (Fiscal Year Ending September 30, 2024)	$ 6,847,885
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.03036

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX RATE DISTRIBUTION **TABLE 6**

Fund	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
Maintenance & Operations Fund	$0.4030	$0.4449	$0.4615	$0.4610	$0.4806
Interest & Sinking Fund	0.0220	0.0238	0.0238	0.0243	0.0247
General Fund Totals	$0.4250	$0.4687	$0.4853	$0.4853	$0.5053

Source: Issuer's Comprehensive Annual Financial Reports and other information from the Issuer.

PROPERTY TAX RATES AND COLLECTIONS **TABLE 7**

Tax Year	Certified Net Taxable Assessed Valuation [(a)]	Tax Rate	Total Tax Levy	% Collections Current	% Collections Total	Fiscal Year Ending
2013	11,341,983,976	0.53530	61,764,543	98.57%	99.70%	9/30/2014
2014	12,166,662,707	0.53530	66,378,591	98.55%	99.65%	9/30/2015
2015	12,868,539,628	0.53530	70,140,088	98.80%	99.59%	9/30/2016
2016	13,882,214,538	0.52530	74,440,714	98.87%	99.44%	9/30/2017
2017	15,028,017,600	0.50530	77,595,446	98.80%	98.80%	9/30/2018
2018	16,440,957,159	0.48530	81,634,786	98.28%	98.28%	9/30/2019
2019	17,730,098,866	0.48530	87,407,933	98.38%	98.38%	9/30/2020
2020	18,734,781,475	0.46870	87,809,921	97.81%	99.68%	9/30/2021
2021	19,981,229,072	0.42500	85,416,234	95.90% [(b)]	96.63% [(b)]	9/30/2022
2022	23,017,608,833					9/30/2023

[(a)] *Figures represent Net Taxable Assessed Valuation after Tax Increment Reinvestment Zones' captured value adjustment.*
[(b)] As of March 31, 2022.
Sources: Texas Municipal Reports, the McLennan County Appraisal District and the Issuer's Comprehensive Annual Financial Report.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 8**

(As of July 1, 2022)

Fiscal Year Ending 9/30	Principal Repayment Schedule: Principal Outstanding	The Certificates	Total	Obligations Unpaid at End of Year	Percent of Principal Retired (%)
2023	$ 3,005,000	$ 1,225,000	$ 4,230,000	$ 70,070,000	5.69%
2024	2,795,000	1,800,000	4,595,000	65,475,000	11.88%
2025	2,895,000	400,000	3,295,000	62,180,000	16.31%
2026	2,980,000	420,000	3,400,000	58,780,000	20.89%
2027	3,095,000	440,000	3,535,000	55,245,000	25.65%
2028	3,200,000	465,000	3,665,000	51,580,000	30.58%
2029	3,335,000	490,000	3,825,000	47,755,000	35.73%
2030	3,470,000	510,000	3,980,000	43,775,000	41.08%
2031	3,565,000	535,000	4,100,000	39,675,000	46.60%
2032	3,685,000	565,000	4,250,000	35,425,000	52.32%
2033	3,780,000	590,000	4,370,000	31,055,000	58.20%
2034	3,875,000	620,000	4,495,000	26,560,000	64.25%
2035	3,960,000	655,000	4,615,000	21,945,000	70.46%
2036	4,060,000	685,000	4,745,000	17,200,000	76.85%
2037	3,555,000	715,000	4,270,000	12,930,000	82.60%
2038	3,095,000	740,000	3,835,000	9,095,000	87.76%
2039	3,175,000	770,000	3,945,000	5,150,000	93.07%
2040	1,740,000	800,000	2,540,000	2,610,000	96.49%
2041	915,000	830,000	1,745,000	865,000	98.84%
2042	-	865,000	865,000	-	100.00%
	$ 60,180,000	$ 14,120,000	$ 74,300,000		

TAXABLE ASSESSED VALUATION — TABLE 9

Tax Year	Certified Net Taxable Assessed Valuation [(a)]	Change From Preceding Year Amount ($)	Percent
2012-13	$11,450,251,128	---	---
2013-14	11,341,983,976	(108,267,152)	(0.95%)
2014-15	12,166,662,707	824,678,731	7.27%
2015-16	12,868,539,628	701,876,921	5.77%
2016-17	13,882,214,538	1,013,674,910	7.88%
2017-18	15,028,017,600	1,145,803,062	8.25%
2018-19	16,440,957,159	1,412,939,559	9.40%
2019-20	17,730,098,866	1,289,141,707	7.84%
2020-21	18,734,781,475	1,004,682,609	5.67%
2021-22	19,981,229,072	1,246,447,597	6.65%
2022-23	23,017,608,833	3,036,379,761	15.20%

[(a)] *Represents Net Taxable Assessed Valuation after Tax Increment Reinvestment Zones' captured value adjustment.*
Source: Texas Municipal Reports, the McLennan County Appraisal District and the Issuer's Comprehensive Annual Financial Report.

OPTIONAL ADDITIONAL SALES AND USE TAX — TABLE 10

Fiscal Year	½% Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2012	$ 12,942,889	25.77%	0.12
2013	13,848,846	25.82%	0.13
2014	15,013,354	24.12%	0.13
2015	15,999,202	24.03%	0.13
2016	16,777,302	23.92%	0.13
2017	17,303,231	23.24%	0.12
2018	18,197,657	23.45%	0.12
2019	18,686,610	22.89%	0.11
2020	19,921,048	22.79%	0.11
2021	23,515,434	26.78%	0.13
2022	10,746,455 [(a)]	12.29%	0.05

[(a)] *Current fiscal year collections are through May 2022; unaudited.*
Source: Texas Comptroller of Public Accounts and the Issuer.

PRINCIPAL TAXPAYERS 2021 — TABLE 11

Name	Type of Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Net Taxable Assessed Valuation
ONCOR Electric Delivery Company	Electric - Utility	$ 798,846,870	4.00%
Sandy Creek Energy Assoc LP ETAL	Electric - Utility	280,074,910	1.40%
Allergan, Inc.	Pharmaceutical Manufacturing	158,200,420	0.79%
Coca-Cola Company	Soft Drink Manufacturing	140,960,190	0.71%
Caterpillar Logistics Inc.	Construction Equipment Manufacturing	127,864,190	0.64%
Mars Chocolate North America LLC	Candy Manufacturing	103,865,370	0.52%
Sherwin Williams Co Inc.	Paint Manufacturing	79,273,110	0.40%
Fergeruson Enterprises Inc.	Contracts Supplies Distributing	78,500,960	0.39%
Atmos Energy/Mid-Tex Distribution	Natuarl Gas - Utility	77,077,060	0.39%
L-3 Communications	Aircraft Integrated Systems	70,900,623	0.35%
	Total	$ 1,915,563,703	9.59%

Based on a 2021 Freeze Adjusted Net Taxable Assessed Valuation of $19,981,229,072
Note: 2022 Principal Taxpayers unavailable at this time.

Source: McLennan County Appraisal District and the Issuer.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 12

Category	2022-23	% of Total	2021-2022	% of Total	2020-2021	% of Total	2019-2020	% of Total	2018-2019	% of Total
Real, Residential, Single Family	$ 17,042,989,809	45.94%	$ 13,046,029,111	43.01%	$ 11,445,184,097	40.17%	$ 10,755,103,792	39.67%	$ 10,044,079,804	39.31%
Real, Residential, Multi-Family	2,038,670,660	5.50%	1,710,913,217	5.64%	1,583,317,001	5.56%	1,461,983,129	5.39%	1,406,864,894	5.51%
Real, Vacant Lots/Tract	536,190,798	1.45%	389,532,515	1.28%	381,572,232	1.34%	369,259,028	1.36%	375,310,408	1.47%
Real Acreage (Land Only)	2,252,818,324	6.07%	1,948,248,979	6.42%	1,887,780,970	6.63%	1,741,221,363	6.42%	1,679,325,723	6.57%
Farm and Ranch Improvements	2,001,851,785	5.40%	1,499,529,819	4.94%	1,358,061,442	4.77%	1,284,850,004	4.74%	1,180,671,103	4.62%
Real, Commercial	4,257,881,135	11.48%	3,615,874,807	11.92%	3,643,435,681	12.79%	3,429,083,560	12.65%	3,269,581,482	12.80%
Real, Industrial	1,066,445,115	2.87%	988,737,683	3.26%	1,167,241,607	4.10%	1,098,390,180	4.05%	1,027,563,103	4.02%
Real, Oil, Gas & Other Minerals	61,723	0.00%	67,057	0.00%	65,954	0.00%	24,380	0.00%	73,036	0.00%
Real & Tangible Personal, Utilities	718,811,889	1.94%	663,776,591	2.19%	599,701,452	2.10%	563,437,751	2.08%	533,895,502	2.09%
Tangible Personal, Commercial	1,644,402,880	4.43%	1,526,533,501	5.03%	1,886,838,480	6.62%	1,994,258,000	7.36%	1,873,661,080	7.33%
Tangible Personal, Industrial	1,504,058,190	4.05%	1,270,058,963	4.19%	885,050,243	3.11%	871,847,460	3.22%	805,163,100	3.15%
Tangible Personal, Mobile Homes	74,085,581	0.20%	50,067,672	0.17%	45,849,118	0.16%	43,264,292	0.16%	40,817,109	0.16%
Real Residential, Inventory	40,745,270	0.11%	47,880,350	0.16%	58,617,105	0.21%	56,727,360	0.21%	39,056,412	0.15%
Special Inventory	104,967,360	0.28%	84,592,500	0.28%	82,755,980	0.29%	72,203,070	0.27%	59,645,870	0.23%
Totally Exempt Property	3,814,483,419	10.28%	3,489,978,364	11.51%	3,465,956,732	12.16%	3,366,869,774	12.42%	3,215,923,970	12.59%
Total Appraised Value	$ 37,098,463,938	100.00%	$ 30,331,821,129	100.00%	$ 28,491,428,093	100.00%	$ 27,108,523,143	100.00%	$ 25,551,632,596	100.00%
Less Exemptions:										
Optional Over-65/Disabled	$ 735,897,427		$ 724,179,678		$ 707,829,467		$ 688,922,320		$ 675,960,819	
Optional Percentage Homestead	2,623,801,680		1,991,676,629		1,748,309,242		1,664,073,908		1,580,605,153	
Disabled and Deceased Veterans	507,314,059		422,252,511		363,602,529		324,153,740		274,852,735	
Freeport Exemption	545,389,344		437,307,906		436,285,568		465,633,970		436,445,867	
Pollution Exemption	103,995,425		95,218,132		170,076,429		152,987,147		138,962,433	
Productivity Value Loss	2,091,027,216		1,812,547,573		1,758,748,418		1,613,501,785		1,555,059,895	
Abatement & Property Redevelop	231,097,731		240,547,755		269,846,482		268,968,279		270,940,457	
10% Homestead Cap Loss	2,437,654,681		550,809,875		258,507,853		325,794,453		454,790,134	
Other	18,189,346		18,207,291		16,792,352		12,663,384		12,158,109	
Totally Exempt Property	3,797,091,294		3,469,539,332		3,450,804,198		3,355,026,241		3,204,147,273	
Total Exemptions	$ 13,091,458,203		$ 9,762,286,682		$ 9,180,802,538		$ 8,871,725,227		$ 8,603,922,875	
Net Taxable Assessed Valuation	$ 24,007,005,735		$ 20,569,534,448		$ 19,310,625,555		$ 18,236,797,916		$ 16,947,709,721	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ 989,396,902		$ 588,305,376		$ 575,844,080		$ 506,699,050		$ 506,752,562	
Net Taxable Assessed Valuation after TIRZ	$ 23,017,608,833		$ 19,981,229,072		$ 18,734,781,475		$ 17,730,098,866		$ 16,440,957,159	

Source: McLennan County Appraisal District - Grand Totals As of Certification

Note: Taxable Assessed Valuations are subject to change during the year due to various supplements and protests. Valuations shown in other tables of this Official Statement may not match these certified valuations.

OVERLAPPING DEBT DATA AND INFORMATION — TABLE 13

Expenditures of the various taxing bodies within the territory of the County are paid out of ad valorem taxes levied by these taxing bodies on properties within the County. These political taxing bodies are independent of the County and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "*Texas Municipal Reports*" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional debt since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the County's estimated share of overlapping gross debt of these various taxing bodies:

Taxing Body	Gross Debt Principal	As of	% Overlapping	Amount Overlapping
Axtel ISD	$ 3,752,000	5/31/2022	92.33	$ 3,464,222
Bellmead, City of	9,460,000	5/31/2022	100.00	9,460,000
Bosqueville ISD	7,060,000	5/31/2022	100.00	7,060,000
Bruceville-Eddy ISD	4,905,000	5/31/2022	87.00	4,267,350
Bruceville-Eddy, City of	333,000	5/31/2022	95.69	318,648
China Spring ISD	80,199,986	5/31/2022	97.67	78,331,327
Connally ISD	10,470,000	5/31/2022	100.00	10,470,000
Crawford ISD	5,170,000	5/31/2022	95.44	4,934,248
Crawford, City of	4,645,000	5/31/2022	100.00	4,645,000
Hallsburg ISD	1,890,531	5/31/2022	100.00	1,890,531
Hewitt, City of	41,165,000	5/31/2022	100.00	41,165,000
La Vega ISD	33,292,214	5/31/2022	100.00	33,292,214
Lacy-Lakeview, City of	5,577,000	5/31/2022	100.00	5,577,000
Lorena ISD	24,834,350	5/31/2022	97.97	24,330,213
Lorena, City of	5,770,502	5/31/2022	100.00	5,770,502
Mart ISD	16,630,000	5/31/2022	22.07	3,670,241
Mart, City of	15,630,000	5/31/2022	100.00	15,630,000
McGregor ISD	22,269,627	5/31/2022	100.00	22,269,627
McGregor, City of	33,610,000	5/31/2022	98.39	33,068,879
McLennan Co JCD	48,245,000	5/31/2022	100.00	48,245,000
Midway ISD [McLennan]	194,775,000	5/31/2022	100.00	194,775,000
Moody ISD	9,155,000	5/31/2022	65.19	5,968,145
Moody, City of	-	5/31/2022	100.00	-
Oglesby ISD	-	5/31/2022	0.08	-
Riesel ISD	23,850,000	5/31/2022	96.18	22,938,930
Riesel, City of	5,837,000	5/31/2022	100.00	5,837,000
Robinson ISD	24,684,992	5/31/2022	99.12	24,467,764
Robinson, City of	37,380,000	5/31/2022	100.00	37,380,000
Valley Mills ISD	15,513,674	5/31/2022	26.35	4,087,853
Valley Mills, City of	105,000	5/31/2022	2.54	2,667
Waco ISD	321,030,000	5/31/2022	100.00	321,030,000
Waco, City of	597,085,000	5/31/2022	100.00	597,085,000
West ISD	19,108,345	5/31/2022	98.64	18,848,471
West, City of	2,950,000	5/31/2022	100.00	2,950,000
Woodway, City of	31,415,000	5/31/2022	100.00	31,415,000
Total Gross Overlapping Debt Principal				$ 1,624,645,832
McLennan County	74,300,000 (a)		100.00%	$ 74,300,000 (a)
Total Direct and Overlapping Debt Principal				$ 1,698,945,832 (a)

Ratio of Direct and Overlapping Debt to 2021 Adjusted Net Taxable Assessed Valuation	7.0769% (a)
Ratio of Direct and Overlapping Debt to 2021 Actual Market Value	4.5796% (a)
Per Capita Direct and Overlapping Debt	$ 6,437.74 (a)

(a) *Includes the Certificates. (See "Table 2 - General Obligation Bonded Debt" herein.)*

Source: Municipal Advisory Council of Texas

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES — TABLE 14

Issuer	Date	Purpose	Amount Authorized	Issued To Date	Unissued
Mart ISD	5/1/2021	School Building, Buses, Technology	$ 12,000,000	$ 9,000,000	3,000,000
		Athletic Improvements	5,000,000	-	5,000,000
		Recreation	3,000,000	-	3,000,000
			$ 20,000,000	$ 9,000,000	$ 11,000,000
Waco ISD	11/2/2021	School Building	355,000,000	200,000,000	155,000,000

Source: Municipal Advisory Council of Texas

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 15

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021	$	1,954,512
2021 Interest and Sinking Fund Tax Levy of $0.0220 at 98% Collections Produces [a]		4,962,596
Total Available for Debt Service	$	6,917,108
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22	$	4,529,111
Estimated Surplus at Fiscal Year Ending 9-30-22	$	2,387,997

[a] *Does not include delinquent tax collections, penalties and interest on delinquent tax collection or investment earnings.*

FUND BALANCES* — TABLE 16

(As of April 30, 2022)

	McLennan County	McLennan County Public Facility Corp. [1]	Entity Wide
General Fund	$ 113,538,523	-	$ 113,538,523
Special Revenue Funds	39,177,824	-	39,177,824
Debt Service Fund	1,742,884	$ 8,294,781	10,037,665
Capital Projects Fund	4,068,169	-	4,068,169
Total	$ 158,527,400	$ 8,294,781	$ 166,822,181

Source: Issuer

** Unaudited*

[1] See "Table 3 - OTHER OBLIGATIONS" herein for further information regarding the McLennan County Public Facility Corporation.

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE — TABLE 17

	Fiscal Year Ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
REVENUES:					
Taxes	$ 105,832,601	$ 99,939,374	$ 91,216,796	$ 89,580,791	$ 86,371,382
Licenses and Permits	3,000	3,000	5,000	3,500	4,000
Intergovernmental	2,452,309	2,434,887	2,547,931	2,802,493	1,825,159
Charges for Services	15,848,687	12,637,409	11,319,064	11,173,705	10,921,943
Fines and Forfeits	618,290	652,552	827,597	865,938	638,445
Contributions and Donations	8,450	-	2,000	-	-
Investment Earnings	503,133	886,552	1,360,818	996,827	685,613
Miscellaneous	2,452,503	1,450,854	1,405,509	1,481,738	1,730,183
Total Revenues	$ 127,718,973	$ 118,004,628	$ 108,684,715	$ 106,904,992	$ 102,176,725
EXPENDITURES:					
Current					
General Government	$ 27,808,629	$ 27,483,342	$ 27,856,515	$ 26,120,815	$ 26,152,878
Judicial	6,882,233	7,027,816	6,907,863	6,599,263	6,291,730
Public Safety	38,957,601	34,734,407	36,763,925	34,365,291	31,484,531
Public Transportation	12,370,859	12,904,457	12,380,510	10,848,113	10,786,788
Health	9,501,044	8,824,054	9,040,746	8,197,446	7,545,019
Welfare	6,375,668	6,165,757	6,964,246	6,865,115	6,857,556
Culture-Recreation	190,283	44,369	6,307	15,557	38,551
Conservation	234,002	232,380	241,471	227,738	233,047
Economic Development and Assistance	1,651,816	2,195,072	511,109	2,199,826	1,826,232
Debt Service:					
Principal	29,923	28,015	-	-	24,670
Interest and Fiscal Charges	20,096	22,358	-	-	414
Capital Projects	-	-	-	-	-
Total Expenditures	$ 104,022,154	$ 99,662,027	$ 100,672,692	$ 95,439,164	$ 91,241,416
Excess (Deficiency) of Revenue Over Expenditures	$ 23,696,819	$ 18,342,601	$ 8,012,023	$ 11,465,828	$ 10,935,309
Other Financing Sources (Uses)					
Transfers In	$ -	$ -	$ -	$ 207	$ 1,500
Transfers Out	(6,943,011)	(7,140,171)	(6,940,151)	(9,482,156)	(5,845,464)
Issuance of General Obligation Bonds	-	-	-	-	-
Issuance of Capital Lease	-	328,349	-	-	-
Premium on Issuance of Bonds	-	-	-	-	-
Sale of Capital Assets	263,285	343,115	58,981	204,951	278,933
Total Other Financing Sources	$ (6,679,726)	$ (6,468,707)	$ (6,881,170)	$ (9,276,998)	$ (5,565,031)
Net Change in Fund Balance	17,017,093	11,873,894	1,130,853	2,188,830	5,370,278
Fund Balances at Beginning of Year	67,612,964	55,739,070	54,608,217	52,419,387	47,049,109
Fund Balances at End of Year	$ 84,630,057	$ 67,612,964	$ 55,739,070	$ 54,608,217	$ 52,419,387

The County Auditor currently estimates that the FYE September 30, 2022 General Fund Fund Balance will be approximately $88,664,298 (unaudited). (Of this amount, $13,926,535 is committed to Economic Development purposes.)

Source: The Issuer's Comprehensive Annual Financial Reports.

COUNTY LIBRARY SYSTEM HISTORICAL REVENUES — TABLE 18

	2021	**2020**	**2019**	**2018**	**2017**
Year Revenues ($)	$ 146,802	$ 139,907	$ 150,365	$ 149,387	$ 144,511

Source: Issuer

Solely to comply with State law allowing the certificates of obligation to be sold for cash, certificates of obligation sold by the County are additionally secured, together with the currently outstanding previously issued Parity Obligations, by and payable from a lien on and pledge of not more than $1,000 derived from the net revenues of the County's library system, such lien and pledge, however, being subordinate and inferior to any lien thereon and pledge thereof now or hereafter existing that secures the payment of any Prior Lien Bonds or Junior Lien Bonds hereinafter issued by the County.

The Pledge

The McLennan County, Texas Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A (the "Bonds") were previously authorized by the Commissioners Court (the "Court") of McLennan County, Texas (the "County") and issued pursuant to the provisions of Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Chapter 1371, as amended, Texas Government Code, Chapter 334, as amended, Texas Local Government Code, an election held in the County on May 6, 2017, and an order to be adopted on June 19, 2018 by the Court (the "Order").

The Bonds constitute special, limited obligations of the County, payable solely from and secured by a lien on and pledge of certain County revenues (as identified and described in the order as the "Pledged Venue Revenues"). Payment of the Bonds is secured primarily by (i) a first and prior lien on and pledge of the Hotel Occupancy Tax Revenues (defined herein) and (ii) a first and prior lien on and pledge of the Motor Vehicle Rental Tax Revenues (defined herein). The Bonds were issued by the County to (i) refund the County's then outstanding obligations, (ii) fund additional costs of the Venue Project (as described below), (iii) fund a debt service reserve account, and (iv) pay the costs of their issuance.

The Venue Project

The Venue Project is located at the Heart of Texas Fairgrounds (now known as the Extraco Events Center and referred to herein as the "Heart of Texas Fairgrounds") off of Bosque Boulevard in the City of Waco, Texas (the "City") and is expected to include development, construction and renovation of new and existing facilities located thereat, including a multi-purpose arena, adjacent support facilities and any related infrastructure. The Venue Project has been designated as a "sports and community venue project" within the County in accordance with and as defined by Chapter 334.

The Heart of Texas Fairgrounds hosts the Heart Of Texas Fair & Rodeo and, among other things, conventions, trade shows, consumer and public shows, livestock and equine shows, concerts, festivals, and expositions and competitions, and covers approximately 60 acres of land containing modernized facilities, 700 livestock stalls, 250 recreational vehicle hook-ups and parking areas able to accommodate over 3,800 vehicles. Its facilities consist of the Heart Of Texas Coliseum, Back Porch Club, Show Pavilion, General Exhibits Building, Creative Arts Building and the Stall Barn. Through the Venue Project, the Heart of Texas Fairgrounds is expected to be developed, as a result of collaboration among the County, the City, and Waco Independent School District, to include a state-of-the-art multi-purpose arena, new sports facilities, including baseball and softball fields and a soccer and track complex, additional equine and livestock facilities, including new stalls and show arena, and replace certain existing buildings and infrastructure, including street improvements, utilities, lighting, landscaping and graphics. The multi-purpose arena is expected to be approximately 80,000 square feet, including approximately 53,000 square feet of exhibit space, to connect to the Heart Of Texas Coliseum and host, among other events, a variety of trade shows, livestock and equine shows, consumer and public shows, expositions, conventions, sporting events, concerts, festivals, recreational and collegiate competitions, telecasts and banquets.

The following table sets forth the debt service requirements for the Venue Tax Bonds.

Fiscal Year Ended 9/30	Principal	Interest	Total
2022	$ 365,000.00	$ 1,511,437.50	$ 1,876,437.50
2023	380,000.00	1,496,837.50	1,876,837.50
2024	395,000.00	1,481,637.50	1,876,637.50
2025	415,000.00	1,461,887.50	1,876,887.50
2026	435,000.00	1,441,137.50	1,876,137.50
2027	455,000.00	1,419,387.50	1,874,387.50
2028	480,000.00	1,396,637.50	1,876,637.50
2029	500,000.00	1,372,637.50	1,872,637.50
2030	525,000.00	1,347,637.50	1,872,637.50
2031	555,000.00	1,321,387.50	1,876,387.50
2032	580,000.00	1,293,637.50	1,873,637.50
2033	610,000.00	1,264,637.50	1,874,637.50
2034	630,000.00	1,243,287.50	1,873,287.50
2035	665,000.00	1,211,787.50	1,876,787.50
2036	695,000.00	1,178,537.50	1,873,537.50
2037	730,000.00	1,143,787.50	1,873,787.50
2038	765,000.00	1,107,287.50	1,872,287.50
2039	805,000.00	1,069,037.50	1,874,037.50
2040	845,000.00	1,028,787.50	1,873,787.50
2041	890,000.00	986,537.50	1,876,537.50
2042	935,000.00	942,037.50	1,877,037.50
2043	980,000.00	895,287.50	1,875,287.50
2044	1,030,000.00	846,287.50	1,876,287.50
2045	1,070,000.00	805,087.50	1,875,087.50
2046	1,115,000.00	762,287.50	1,877,287.50
2047	1,155,000.00	717,687.50	1,872,687.50
2048	1,205,000.00	671,487.50	1,876,487.50
2049	1,250,000.00	623,287.50	1,873,287.50
2050	1,305,000.00	571,725.00	1,876,725.00
2051	1,355,000.00	517,893.75	1,872,893.75
2052	1,415,000.00	462,000.00	1,877,000.00
2053	1,470,000.00	403,631.25	1,873,631.25
2054	1,530,000.00	342,993.75	1,872,993.75
2055	1,595,000.00	279,881.25	1,874,881.25
2056	1,660,000.00	214,087.50	1,874,087.50
2057	1,730,000.00	145,612.50	1,875,612.50
2058	1,800,000.00	74,250.00	1,874,250.00
	$ 34,320,000.00	$ 35,053,475.00	$ 69,373,475.00

APPENDIX B

GENERAL INFORMATION REGARDING MCLENNAN COUNTY, TEXAS
AND THE CITY OF WACO, TEXAS

(this page intentionally left blank)

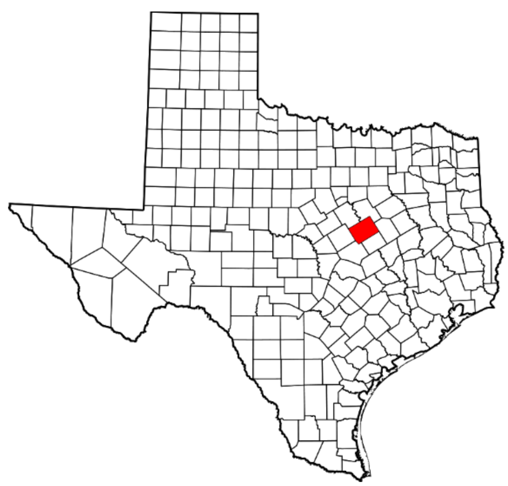
GENERAL INFORMATION REGARDING MCLENNAN COUNTY AND THE CITY OF WACO, TEXAS

Location and Economy

McLennan County (the "County") is located in central Texas and comprises the Waco Metropolitan Statistical Area (MSA). The County's economy is based primarily on manufacturing and agriculture, with higher education also making a significant impact on the economy. The County is traversed by interstate Highway 35; United States Highways 77, 81 and 84; State Highways 6, 31, and 317; and 29 farm-to-market and park roads.

The City of Waco (the "City") is the county seat and center for manufacturing, tourism, conventions and agribusiness for central Texas. The City is located 90 miles south of the City of Dallas on Interstate Highway I-35. The City is the approximate geographic center of the Texas population, being within 100 miles of 31% of the State's population of almost 15 million people. The central location makes the City a popular distribution center for trade goods. The City is the site of the majority of principal employers within the County and several institutions of higher learning. The City's 2020 census is 138,486, an approximate 9.0% increase over the 2010 census of 124,805.

Map of Texas Counties showing location of McLennan County



Population Trends

Year	City of Waco	McLennan County
Current Estimate	143,286	263,904
2020 Census	138,486	260,579
2010 Census	124,805	234,906
2000 Census	113,726	213,517
1990 Census	103,590	189,123
1980 Census	101,261	170,755

Sources: U.S. Census Bureau and the Issuer

Leading Employers – McLennan County

Employer	Type of Business	Estimated Number of Employees 2021
Baylor University	Education	2,835
Ascension Providence Health Center	Healthcare	2,530
Waco Independent School District	Public Education	2,373
H.E. Butt Grocery Co. (all stores)	Retail	2,000
Baylor Scott & White Medical Center-Hillcrest	Healthcare	1,685
City of Waco	Local Government	1,500
Wal-Mart (all locations)	Retail	1,174
Midway ISD	Education	1,157
McLennan County	County Government	1,333
Sanderson Farms Inc.	Manufacturing	1,120

Source: Issuer's 2021 Comprehensive Annual Financial Report - Statistical Section

Labor Force Statistics

	McLennan County		City of Waco		Waco MSA	
	April 2022	2021	April 2022	2021	April 2022	2021
Civilian Labor Force	124,603	122,192	64,043	62,973	131,414	128,769
Total Employed	120,694	116,247	61,932	59,650	127,260	122,474
Total Unemployed	3,909	5,945	2,111	3,323	4,154	6,295
% Unemployed	3.1%	4.9%	3.3%	5.3%	3.2%	4.9%
% Unemployed (Texas)	5.9%	5.7%	5.9%	5.7%	5.9%	5.7%
% Unemployed (United States)	3.6%	5.3%	3.6%	5.3%	3.6%	5.3%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

September 14, 2022

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "McLennan County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022" (the *Certificates*), dated August 1, 2022 in the aggregate principal amount of $14,120,000, we have reviewed the legality and validity of the issuance thereof by the Commissioners Court of McLennan County, Texas (the *Issuer*). The Certificates are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and have Stated Maturities of June 1 in each of the years 2023 through 2039, and June 1, 2042, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer's library system (the *System*) and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Commissioners Court of the Issuer in connection with the issuance of the Certificates, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are further payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the System, such lien on and pledge of the limited amount of Net Revenues, being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Bonds or Junior Lien Bonds hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Previously Issued Parity Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Pledged Revenues of the System as described in the orders authorizing the issuance of the currently outstanding Previously Issued Parity Obligations. In the Order, the Issuer retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

APPENDIX D

EXCERPTS FROM MCLENNAN COUNTY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

(Independent Auditor's Report, Management Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

(this page intentionally left blank)

McLENNAN COUNTY, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Prepared by:
FRANCES BARTLETT, CPA
COUNTY AUDITOR

McLENNAN COUNTY

TEXAS

McLENNAN COUNTY, TEXAS
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2021

TABLE OF CONTENTS

TABLE OF CONTENTS

STATISTICAL SECTION:

McLENNAN COUNTY, TEXAS
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2021

TABLE OF CONTENTS

McLENNAN COUNTY

TEXAS

Frances Bartlett, CPA
County Auditor

214 N. Fourth Street, Suite 100
Waco, Texas
Voice (254) 757-5156
Fax (254) 757-5157
Frances.Bartlett@co.Mclennan.tx.us

March 29, 2022

Honorable District Judges
Honorable County Judge
Honorable County Commissioners

The Annual Comprehensive Financial Report of McLennan County, Texas, for the fiscal year ended September 30, 2021, is submitted herewith in accordance with Chapter 114.025 of the Local Government Code. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and audited in accordance with auditing standards generally accepted in the United States of America by a firm of certified public accountants.

This report consists of management's representations concerning the finances of McLennan County, Texas. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, McLennan County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). McLennan County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

McLennan County's financial statements have been audited by Pattillo, Brown and Hill LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on McLennan County's financial statements for the fiscal year ended September 30, 2021 and that they are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. McLennan County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Located in Central Texas, McLennan County was incorporated in 1850 and both the County and the County Seat were named after the pioneer, Neil McLennan. The County's population continues to grow and is now 260,579 according to the 2020 census. This is up 10.9% over the 2010 census of 234,906, 22.0% over the 2000 census of 213,517, and 37.8% over the 1990 census of 189,123. The County has a land area of 1,042 square miles. The decennial census levels in Texas determine which of the various State statutes apply to each particular Texas County.

The County operates as specified under the Constitution and Statutes of the State of Texas, which provide for a Commissioners

Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms.

The County provides the full range of county services contemplated by the Constitution and Statutes of the State of Texas. The primary functions include general government, judiciary, public safety, county roads, environmental protection, health, welfare, culture and recreation, conservation, and infrastructure.

The annual budget serves as the foundation for McLennan County's financial planning and control. All departments of the County are required to submit requests for appropriation to the County Auditor's Office. The County Auditor, who serves as the Budget Officer, presents these requests to Commissioners Court. The County Auditor is also responsible for estimating the revenues for the budget. Through budget workshops the Commissioners Court creates a budget which is voted on and becomes the proposed budget. The proposed budget must be filed with the County Clerk. The Court is required to publish specific information, notices, and hold public hearings as defined by State Statute. After all these requirements are met, the Court may adopt the budget and the tax rate by September 1 or as soon thereafter as is practical. The appropriated budget is adopted by fund, then by department, then by individual line item. Budget-to-actual comparisons are provided in this report for all of the funds for which a budget is adopted by the Commissioners Court.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which McLennan County operates.

Local economy

McLennan County experiences the same economic concerns being felt across Texas and the Nation. However, the tough economy is mitigated to a great degree in McLennan County by its diversified and stable economic base, including manufacturing, high technology companies, retail, higher education institutions, service industries, aviation industry and others. McLennan County provides a high quality labor force, attractive real estate opportunities, favorable tax treatment and abundant natural resources.

McLennan County is strategically located at the approximate geographic center of Texas, often referred to as the "Heart of Texas," and is within 200 miles of 70 percent of the Texas population. Major cities such as Austin, Dallas, Fort Worth, Houston, and San Antonio are within minimal driving distances. The NAFTA (North American Free Trade Agreement) continues to have a strong impact on the County. Interstate Highway 35, considered a main gateway to Mexico, passes through the middle of the County.

Long-term financial planning

The Commissioners Court continues to be very active in economic development to insure and promote continued growth. Vigorous efforts by the McLennan County Commissioners Court and the Greater Waco Chamber of Commerce to attract new industry to the area are continuing, and the prospect of continued growth in the local economy is very encouraging at this time. The establishment of the Waco/McLennan County Economic Development Corporation, a joint venture with the Greater Waco Chamber of Commerce, the Waco Industrial Foundation, the City of Waco and McLennan County, has been a significant instrument in promoting economic development in our area. Both McLennan County and the City of Waco provide the funding for the Corporation, which provides economic incentives to companies meeting certain social and economic performance standards.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McLennan County, Texas for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the thirty-sixth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's Office. I would like to express my appreciation to everyone who assisted and contributed in the preparation of this report. Credit also must be given to the Board of District Judges for their support in maintaining the highest standard of professionalism, and to the McLennan County Commissioners Court for its management of McLennan County's finances and for their work in helping develop information related to reporting infrastructure and for providing the necessary related software tools.

Respectfully submitted,

Frances Bartlett

Frances Bartlett, CPA
McLennan County Auditor

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

McLennan County
Texas

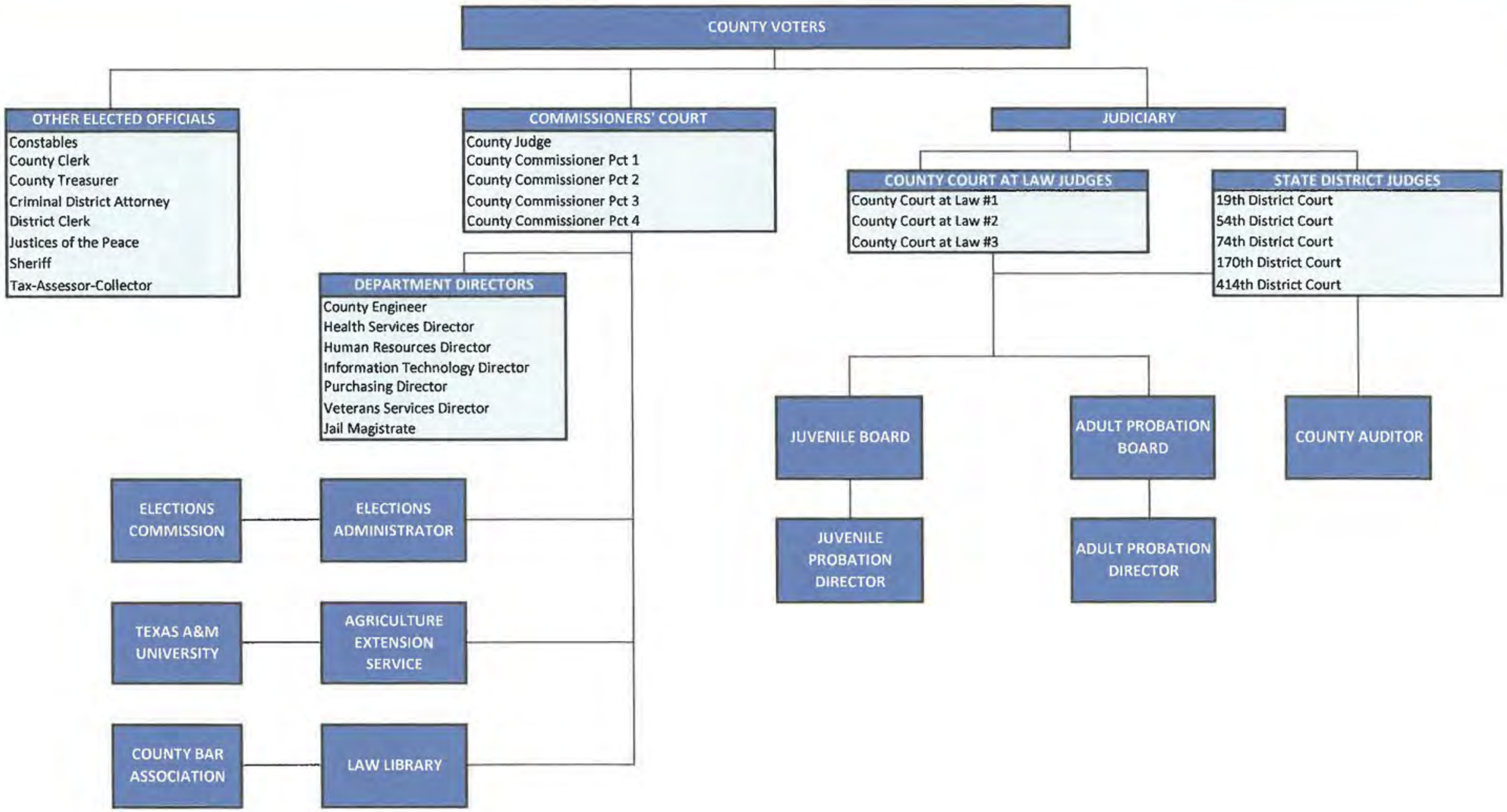
For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

MCLENNAN COUNTY, TEXAS
ORGANIZATIONAL CHART



MCLENNAN COUNTY, TEXAS

PRINCIPAL OFFICIALS
As of September 30, 2021

ELECTED OFFICIALS

District Officials

Judge, 19th Judicial District	Thomas West
Judge, 54th Judicial District	Susan Kelly
Judge, 74th Judicial District	Gary Coley, Jr.
Judge, 170th Judicial District	Jim Meyer
Judge, 414th Judicial District	Vicki Menard
Criminal District Attorney	Barry Johnson

County Officials

County Judge	Scott Felton
Judge, County Court at Law, No. 1	Vikram Deivanayagam
Judge, County Court at Law, No. 2	Bradley Cates
Judge, County Court at Law, No. 2	Ryan Luna
Commissioner, Precinct 1	Jim Smith
Commissioner, Precinct 2	Patricia Miller
Commissioner, Precinct 3	Will Jones
Commissioner, Precinct 4	Ben Perry
County Clerk	J.A. "Andy" Harwell
District Clerk	Jon Gimble
County Sheriff	Parnell McNamara
County Treasurer	Bill Helton
County Tax Assessor-Collector	Randy Riggs
Constable, Precinct 1	Walt Strickland
Constable, Precinct 2	John Johnson
Constable, Precinct 3	David Maler
Constable, Precinct 4	Cesario Guerrero
Constable, Precinct 5	Freddie Cantu
Justice of the Peace, Precinct 1, Place 1	Dianne Hensley
Justice of the Peace, Precinct 1, Place 2	Walter Peterson
Justice of the Peace, Precinct 2	James Lee
Justice of the Peace, Precinct 3	David Pareya
Justice of the Peace, Precinct 4	Brian Richardson
Justice of the Peace, Precinct 5	Fernando Villarreal

APPOINTED OFFICIALS

County Auditor	Frances Bartlett
Director of Juvenile Probation	Collin Coker
Director of Adult Probation	William Seigman
Elections Director	Jared Goldsmith

PRINCIPAL OFFICIALS (continued)
As of September 30, 2021

DEPARTMENTAL DIRECTORS

Purchasing Director	Kenneth Bass
County Engineer	Zane Dunnam
Human Resources Director	Ana Picazo
Health Services Director	Heather Travers
Mental Health Court Director	Mary Allen
Veterans Services Director	Steve Hernandez
Building Maintenance Director	Timothy Jackson
Information Technology Director	Lisa Fetsch
Jail Magistrate	Virgil Bain

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Commissioners' Court
McLennan 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 McLennan County, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprises McLennan County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 McLennan County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022 on our consideration of the McLennan County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLennan County, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 30, 2022

McLennan County, Texas
Management's Discussion and Analysis
September 30, 2021

This discussion and analysis provides readers of the financial statements of McLennan County, Texas (the County) a narrative overview and analysis of the County's financial activities for the fiscal year that ended September 30, 2021. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers of this discussion and analysis should consider the information presented here in conjunction with additional information that we have furnished in our accompanying letter of transmittal and in the basic financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of McLennan County exceeded its liabilities and deferred inflows at September 30, 2021, by $121.1 million. Net investment in capital assets (net of depreciation and related debt) accounts for almost 71.5% of this amount, with a value of $86.6 million. Restricted net position totaled $48.8 million or 40.3% of net position. Of the remaining net position, a deficit of $14.4 million exists as unrestricted net position.
- The County's total net position increased by a total of $26.1 million for the year ended September 30, 2021 when compared to the total net position reported for the year ended September 30, 2020.
- Income from general sources of revenue totaled $116.6 million, with total expenses in excess of program revenues of $90.6 million.
- As of September 30, 2021, McLennan County's governmental funds reported combined ending fund balances of $162.2 million. Of that amount, $92.4 million was restricted for or committed for specific purposes. $15.9 million was assigned to fund the upcoming year budget for the Governmental Funds, $53.3 million was unassigned for spending at the government's discretion in the Governmental Funds, and $644 thousand was nonspendable due to the nature of the asset as a prepaid asset.
- The unassigned fund balance for the General Fund of $53.4 million at September 30, 2021 was 51.4% of the total $104 million of General Fund expenditures for fiscal year 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to McLennan County's basic financial statements. The annual report presented herein is a series of financial statements and notes to those statements, as well as other required supplementary information and schedules. These statements and schedules are organized so the reader can understand McLennan County as a financial operating entity. As the reader moves through the statements, there is ever increasing detail to further explain information presented. The basic financial statements are comprised of three components:

1) Government-wide financial statements,
2) Fund financial statements, and
3) Notes to the financial statements

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

There are two government-wide financial statements that are designed to provide readers a broad overview of McLennan County's finances in a manner similar to the financial statements of a private-sector business.

The statement of net position presents information on all of McLennan County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between the four is reported as net position. This statement is similar to that of the balance sheet of a private-sector business (with primary sections in a business balance sheet being assets, liabilities, and equity). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during 2021. Because the statement of activities separates program revenue (that is, revenue generated by specific programs through charges for services, fees, licenses, grants received, and other contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on general revenues for funding.

All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector businesses. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of cash being received or paid. This differs from the fund accounting statements, which are recorded using the modified accrual method to primarily record the inflows and outflows of cash. Items such as uncollected taxes, unpaid vendor invoices for items received in 2021, and earned but unused vacation leave are included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2021.

McLennan County has no separately identified discretely-presented component units included in the government-wide financial statements. By virtue of the County's authority to exercise influence over its operations, the Juvenile Probation Department is reflected as a blended component unit and special revenue fund and its financial data is included in governmental activities.

In addition McLennan County Public Facilities Corporation (the Corporation or PFC), a nonprofit corporation created under Texas Local Government Code Section 303 on September 2, 2008 is a blended component unit. All of the members of the Board of Directors of the Corporation are appointed by the County's Commissioners Court, and indeed consists of the same individuals that comprise the Commissioners Court. During 2009 the Corporation issued revenue bonds to fund the construction of a new 816 bed detention facility. The new detention facility was completed in 2010 and started operating in June of that year. The Corporation refunded the Series 2009 revenue bonds by issuing Project Revenue Refunding Bonds Taxable Series 2014 in the 2016 fiscal year.

You will find further information regarding these blended component units in the Summary of Significant Accounting Policies in Note I of the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. McLennan County, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. All funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1) Governmental Funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements, but unlike the activity statement, the measurement focus is on available resources.

2) Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

3) Proprietary Funds are used to account for the County's health, dental, and vision insurance. The County maintains one type of proprietary fund, Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The Internal Service Funds have been included within governmental activities in the government-wide financial statements.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present a separate column of financial data for the General Fund, Debt Service Fund, Permanent Improvement Fund, American Rescue Plan Fund, Emergency Rental Assistance Program Fund, Local Provider Participation Fund, PFC Jail Operating Fund, and PFC Debt Service Fund as the major funds. Data from the remaining governmental funds (i.e., non-major funds) are combined into a single, aggregated presentation. The "governmental fund" financial statements can be found immediately following the "government-wide" financial statements. Individual fund data for each of the non-major governmental funds is provided in the Combining and Individual Fund Statements and Schedules following Required Supplementary Information.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. As mentioned earlier, government-wide financial statements are reported using accrual accounting; governmental fund financial statements focus on near-term inflows and outflows, as well as balances of available resources. In other words, revenue is reported when earned, provided it is collectible within the reporting period or soon enough afterwards to be used to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources.

The focus of governmental fund financial statements is more limited than that of government-wide financial statements. Because of the difference in the two types of statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers should better understand the results and long-term impact of near-term financing decisions. The reader is assisted in this comparison between the two bases of accounting by reconciliation statements between the governmental fund balance sheet and the statement of net position, as well as the governmental fund statement of revenues, expenditures, and changes in fund balances and the statement of activities.

McLennan County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted at the department and account line item levels for all funds. Specific equipment items included in capital outlays are approved on a capital equipment schedule. Appropriations for Capital Projects Funds are approved on an annual basis. A budgetary comparison schedule is provided for the General Fund in this management's discussion and analysis section. Also, the Required Supplementary Information contains an additional budget comparison for the General Fund. The comparison schedule is used to demonstrate compliance with the budget both as originally adopted and as finally amended.

Budgetary comparisons are not presented for the Adult Probation Fund because its budget is determined by a State grantor agency. A budget for the Public Facilities Corporation (PFC) funds is not presented because its budget, which there is none, would have been prepared by its separate corporate board. A Public Facilities Corporation is not required to prepare or adopt a formal budget under Texas Statutes.

Proprietary Funds

The Internal Service Funds are used to finance, administer and account for McLennan County's self-insured health, vision, and dental programs, whose purposes are to provide health, vision, and dental insurance to employees of the County. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside McLennan County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs and expenses of McLennan County. Fiduciary funds are accounted for on the accrual basis. Custodial funds are used as clearing accounts for assets held by McLennan County in its role as custodian until the funds are allocated to the parties, organizations, or other government agencies to which they belong. The basic custodial fund financial statements can be found following the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information essential to a complete understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

The table following is a condensed Government-wide Summary of Net Position as of September 30, 2021 and 2020:

Summary of Net Position

September 30, 2021

($ in thousands)

	2021	2020
Current and other assets	$ 223,292	$ 172,990
Capital assets (net of accumulated depreciation) and construction in progress	144,366	128,187
Total assets	$ 367,658	$ 301,177
Deferred Outflow Related to Pensions	$ 20,062	$ 7,073
Deferred Outflow Related to OPEB	9,961	6,107
Deferred Losses on Refundings of Debt	2,859	1,973
Total deferred outflows of resources	$ 32,882	$ 15,153
Current and other liabilities	$ 16,657	$ 15,040
Unearned revenues	33,132	3,612
Long-term liabilities	214,656	190,877
Total liabilities	$ 264,445	$ 209,529
Deferred Inflow Related to Pensions	$ 10,714	$ 7,423
Deferred Inflow Related to OPEB	3,267	3,848
Deferred Gains on Refundings of Debt	1,046	4
Total deferred inflows of resources	$ 15,027	$ 11,275
Net investment in capital assets	$ 86,589	$ 50,002
Restricted	48,837	44,943
Unrestricted	(14,358)	581
Total net position	$ 121,068	$ 95,526

As noted earlier, net position (and the change in net position from year to year) may serve over time as a useful indicator of a government's financial condition. McLennan County's net position at September 30, 2021 totaled $121.1 million, representing a $25.6 million increase from the September 30, 2020 balance.

McLennan County's total assets were $367.7 million as of September 30, 2021. Of this amount, $144.4 million is accounted for by capital assets, which includes net infrastructure of $13.9 million. Of the remaining County assets, approximately $208.0 million were accounted for in cash, cash equivalents, and investments; $7.3 million in taxes and accounts receivable; and $7.3 million due from other governments.

Cash and cash equivalents increased $54.8 million from $153.2 million at September 30, 2020 to $208.0 million at September 30, 2021.

At September 30, 2021, the County had outstanding liabilities of $264.4 million, with approximately $214.7 million in total noncurrent liabilities. Of the long-term liabilities, $8.3 million was due within a year, with the remainder of $206.3 million due over an extended period of time. There is a more in-depth discussion of long-term debt in the notes to the financial statements beginning on page 60.

Included in other liabilities in the Statement of Net Position is $15.6 million in accounts payable and accrued liabilities.

A large portion of the County's net position (40.3%) reflects the amount subject to restrictions on how it may be used (restricted by either statute or contractual agreement). An amount representing 71.5% of the County's net position reflects its investment in capital assets such as equipment, facilities, infrastructure, etc., less any outstanding related debt used to acquire those assets. Capital assets are used to provide services to citizens. The remaining deficit balance of $14.4 million (unrestricted net position) represents the amount that may be used to meet the County's ongoing obligations. The large deficit balance is due to the fact that the County has long-term liabilities that are funded by appropriating resources each year as payments come due.

Statement of Activities

The net position of McLennan County increased from governmental operations by $26.1 million in 2021. Key elements in changes in net position are shown in the table and graphs on the following pages.

Total revenues from all governmental activities for McLennan County were $200 million in 2021 compared to $152.4 million in 2020, for an increase of $47.6 million. The primary components of the revenues changes are as follows:

- Property tax revenue, accounting for 43.6% of total revenues, increased $1.8 million from $85.2 million in 2020 to $87.0 million in 2021. Although the property tax rate decreased between the two years, this increase was primarily due to the increase of property values and the addition of new property within the County.

- Sales tax accounted for 11.7% of total revenues, increasing approximately $3.5 million from $19.8 million in 2020 to $23.3 million in 2021. Sales tax collections have continued to increase over the years due to continued economic growth within the County.

- Grants and contributions accounted for 26.1% of total revenues, showing an increase of $37.9 million from $14.1 million in 2020 to $52.0 million in 2021. A large portion of the increase, $35.5 million, is due to the increase in revenues related to the Local Provider Participation Fund.

- Charges for services totaled approximately $26.6 million in 2020 comprising 17.5% of total revenue in 2020, compared to $31.0 million of charges for services in 2021, which represented 15.5% of total revenue in 2021. The increase in 2021 is related to the fact that the County began serving as operator for the Jack Harwell Detention Center in fiscal year 2020. Previously, this facility had been operated by a private vendor and the County was charged for the inmates being held there. As the County is now the operator of the Jack Harwell Detention Center, the excess revenues collected for housing of non-County inmates above the required debt service reserves now flows into the County's revenues.

- The remaining 3.1% of revenue in 2021 was provided by other taxes, interest income, and miscellaneous sources for a total of $6.3 million. In 2020 this same group of revenues comprised 4.3% of revenues for a total of $6.7 million.

Expenses for the year totaled about $173.6 million in 2021 compared to $145.8 million in 2020. This represents a 19.1% or $27.8 million increase in 2021 compared to 2020.

Highlights of the expenses, by activity are as follows:

- General administration activities accounted for 16.7% of expenses in 2021, increasing by $2.5 million, or 9.6%, in 2021 compared to 2020. The increase is primarily due to the fact that in 2020 expenses attributable to general administration decreased due to the Coronavirus pandemic and the lack of activity usually experienced in this category. Expense levels are now back to a level that is comparable to years prior to 2020.

- Judicial activities accounted for 4.4% of expenses in 2021, increasing by $540 thousand in 2021 compared to 2020. The increase in this function can be related to the effect the Coronavirus restrictions placed on the Court system that affected judicial activity in 2020. Expense levels are slowly returning back to a level that is comparable to years prior to 2020.

- Public Safety activities accounted for 33.8% of expenses in 2021 increasing by $10 million or 20.5%, in 2021 compared to 2020. The increase in 2021 is partially related to the fact that the County began serving as operator for the Jack Harwell Detention Center in 2020. Previously, this facility had been operated by a private vendor and the County is now the operator of the Jack Harwell Detention Center. The County must accommodate all operating expenditures of the facility which included the addition of around 110 employees.

- Public Transportation activities accounted for 7.4% of expenses in 2021, decreasing by $1 million, or 7.3% in 2021 compared to 2020. The decrease is primarily due to the decrease in the pension expenses that are included in the government wide statements.

- Health activities accounted for 27.7% of expenses in 2021, increasing by $13.5 million compared to 2020. The primary reason for this increase is the increase of expenses in the Local Provider Participation Fund which consists of intergovernmental transfers for indigent health care programs.

- Welfare activities accounted for 4.8% of expenses in 2021, increasing by $2.2 million compared to 2020. The increase in this function can be related to the effect the Coronavirus restrictions placed on the Court system that affected welfare activity, specifically indigent defense expenses, in 2020. Expense levels are slowly returning back to a level that is comparable to years prior to 2020.

- Culture–Recreation activities accounted for 1.3% of expenses in 2021 increasing by $1.2 million from 2020. This function of expense increased due to an increase in depreciation expense as well as an asset that was involved in a trade-in transaction and both are included in the government wide statements.

- Conservation activities accounted for 0.3% of expenses in 2021 decreasing by $900 thousand from 2020. The decrease was due to the County receiving and utilizing the Natural Resources Conservation Service Grant and the difference in grant related expenses between the two years.

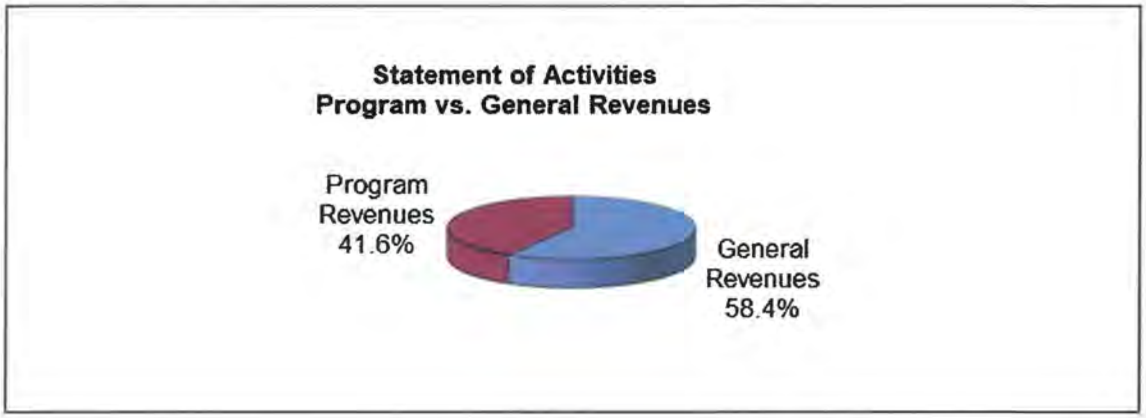
- Economic Development and Assistance activities accounted for 1% of expenses in 2021 decreasing by $500 thousand from 2020. The decrease is due to the change in economic development related projects from year to year.

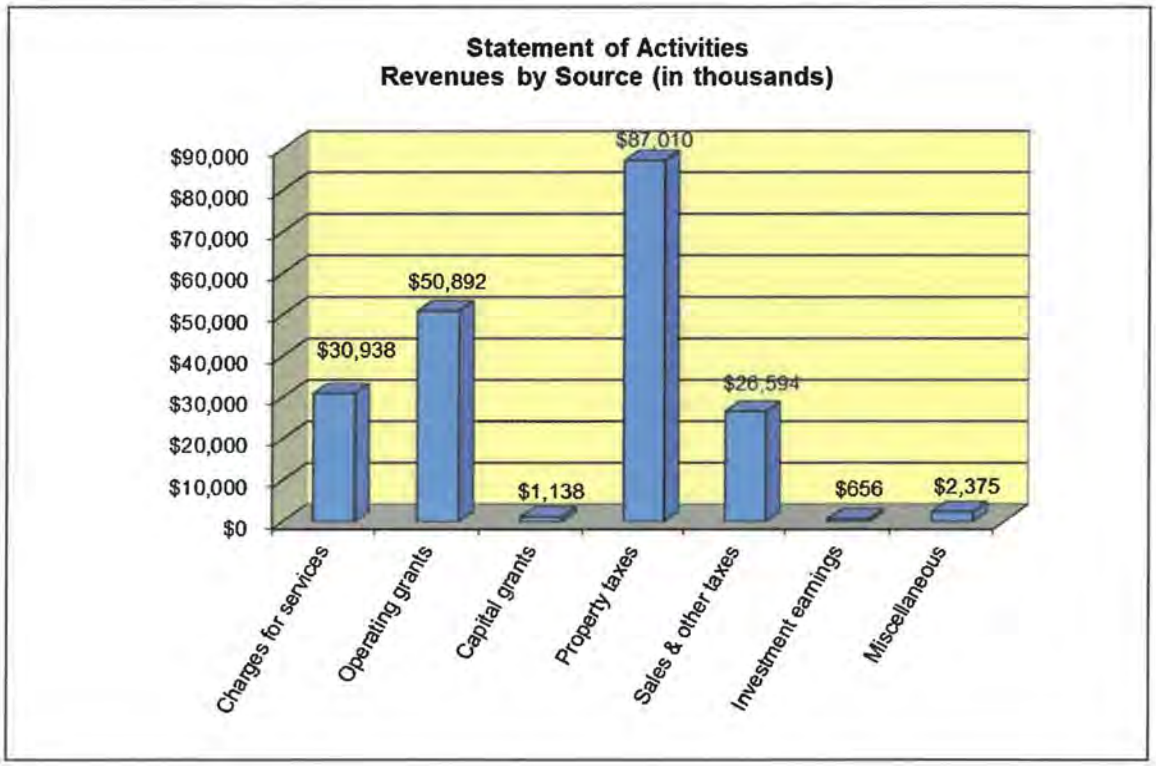
- Interest and fiscal charges accounted for 2.6% of expenses increasing by $200 thousand in 2021 from 2020. This function of expense remained consistent with the prior year.

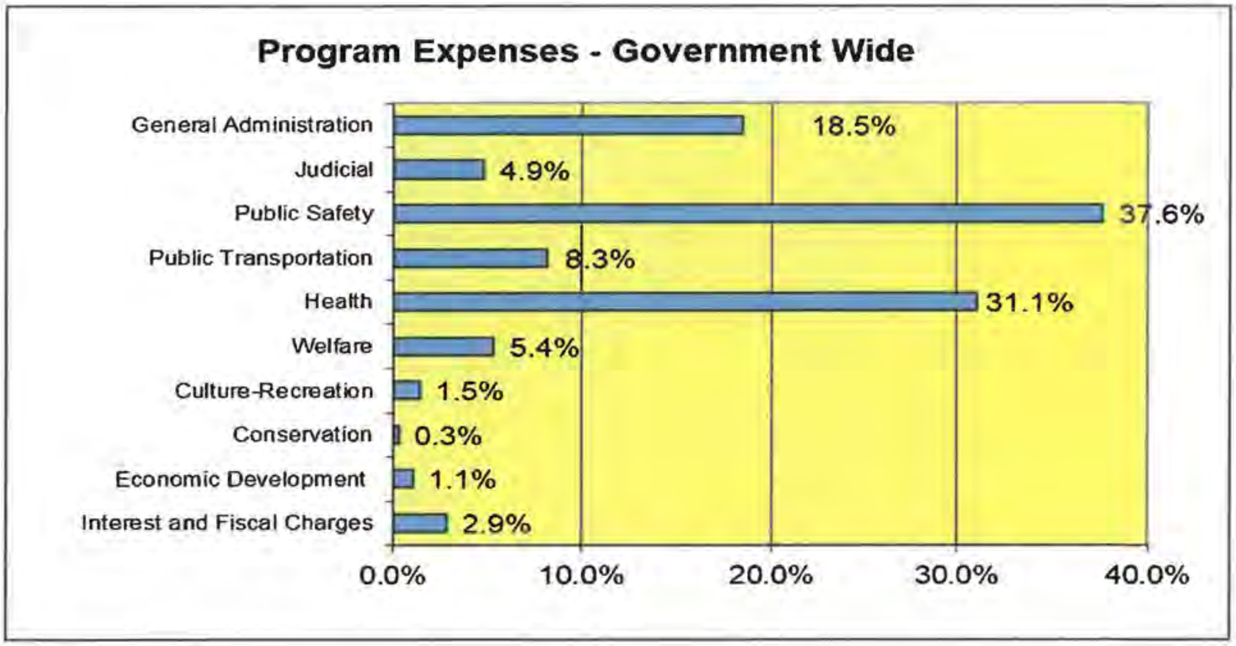
Summary of Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and September 30, 2021
($ in thousands)

	2021 Governmental Activities	2020 Governmental Activities
Revenues		
Program Revenues		
Charges for services	$30,938	$26,593
Operating grants and contributions	50,893	13,755
Capital grants and contributions	1,138	393
	82,969	40,741
General Revenues		
Property Taxes	87,010	85,154
Sales Taxes	23,322	19,810
Other Taxes	3,272	2,510
Unrestricted investment earnings	656	1,775
Miscellaneous	2,376	2,399
Total General Revenues	116,636	111,648
Total Revenues	199,605	152,389
Expenses		
General administration	28,955	26,418
Judicial	7,613	7,073
Public safety	58,740	48,759
Public transportation	12,848	13,857
Health	48,088	34,556
Welfare	8,383	6,174
Culture-Recreation	2,284	1,117
Conservation	470	1,387
Economic development	1,652	2,195
Interest and fiscal charges	4,518	4,286
Total expenses	173,551	145,822
Change in net position	26,054	6,567
Net position - beginning	95,526	88,960
Prior Period Adjustment	(512)	-
et position, ending	$121,068	$95,526

The following graphic representations show the relationships between various revenue and expense components presented on the Statement of Activities.







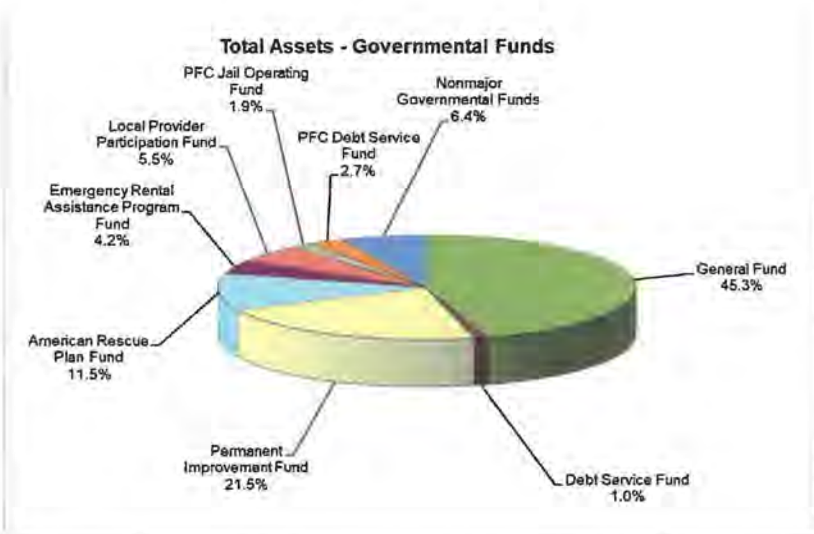
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, McLennan County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the County's governmental funds:

Governmental Funds Balance Sheet Analysis

The General Fund, Debt Service Fund, Emergency Rental Assistance Program Fund, Permanent Improvement Fund, American Rescue Plan Fund, Local Provider Participation Fund, PFC Jail Operating Fund, and PFC Debt Service Fund are the funds considered to be major funds in 2021 The General Fund accounted for 45.3% of the total governmental fund assets and 52.2% of the total governmental fund balances. The Debt Service Fund accounted for 1% of the total governmental fund assets and 1.2% of the total governmental fund balances. The Permanent Improvement Fund accounted for 21.5% of the total governmental fund assets and 27.8% of the total governmental fund balances. The American Rescue Plan Fund accounted for 11.5% of the total governmental fund assets. The Emergency Rental Assistance Program Fund accounted for 4.2% of the total governmental fund assets. The Local Provider Participation Fund accounted for 5.5% of the total governmental fund assets and 7.4% of the total governmental fund balances. The PFC Jail Operating Fund accounted for 1.9% of the total governmental fund assets. The PFC Debt Service Fund accounted for 2.7% of the total governmental fund assets and 3.6% of the total governmental fund balances.

A chart showing the relative value of the assets of each major fund, as well as nonmajor governmental funds, follow

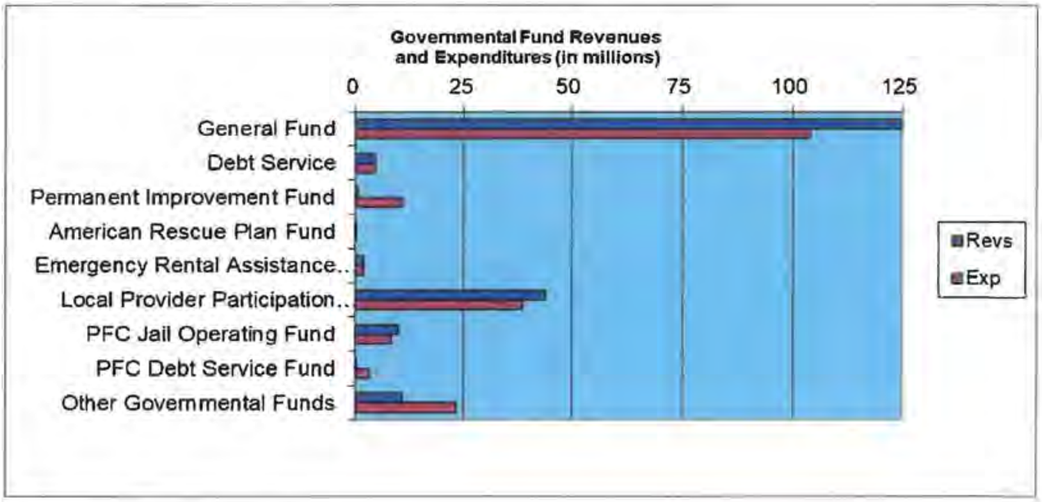


The focus of McLennan County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2021, the County's governmental funds reported combined ending fund balances of $162.2 million. Of this total amount, $53.4 million (32.8%) is unassigned and available for spending without restrictions for general governmental purposes in the General Fund. $14.7 million (9.0%) is committed for economic development expenditures in the General Fund. $2.0 million (1.2%) is restricted for debt service expenditures in the Debt Service Fund. $45.2 million (27.8%) is committed for capital projects expenditures in the Permanent Improvement Fund. $12.0 million (7.4%) is restricted for health expenditures in the Local Provider Participation Fund. $5.9 million (3.6%) is restricted for debt service expenditures in the PFC Debt Service Fund. $12.7 million (7.8%) is restricted for specific expenditures being stated in the individual Special Revenue Funds. $644 thousand (less than 1%) is classified as nonspendable due to the nature of the balance sheet item.

The fund balance for the General Fund increased by $17.0 million from 2020 to 2021 due to expenditures budgeted for the year exceeding actual expenditures. The fund balance of the Debt Service Fund decreased by $2 thousand in 2021 compared to 2020. The fund balance of the Permanent Improvement Fund increased by $5.0 million in 2021 compared to 2020. This was due to a combination of funds being utilized for capital projects as well as the issuance of the general obligation bonds series 2021. The fund balance of the PFC Debt Service Fund decreased by $1.6 million in 2021 compared to 2020 due to the fact that the inmate housing revenue being collected decreased because the County is now running the Jack Harwell Detention Center and no longer pays for housing for County inmates. The fund balance of the Local Provider Participation Fund increased by $5.4 million compared to 2020 and is due to the fluctuating restrictions on the amount of intergovernmental transfers for indigent health care programs that can flow through this fund each year.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the General Fund, Debt Service Fund, Permanent Improvement Fund, American Rescue Plan Fund, Emergency Rental Assistance Program Fund, Local Provider Participation Fund, PFC Jail Operating Fund, PFC Debt Service Fund, and all nonmajor governmental funds. The Debt Service Fund, Permanent Improvement Fund, American Rescue Plan Fund, Local Provider Participation Fund, PFC Jail Operating Fund, and PFC Debt Service Fund qualify as major funds due to the relative size of their assets, liabilities, revenue or expenditures or their relevant importance to the financial statements as a whole.



The revenues in the above chart do not include other financing sources which includes proceeds from new debt and the sale of assets, nor does it include other financing uses. The General Fund accounts for 64.0% of all governmental fund revenue and 53.4% of expenditures.

McLennan County, Texas
Management's Discussion and Analysis
September 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Adopted Budget Compared to Final Budget

The following table shows the changes between the original adopted budget and the final budget, as amended, for the General Fund budget for the year ended September 30, 2021:

Comparison of Original Budget and Final Budget
Year Ended September 30, 2021
($ in Thousands)

	Budgeted Amounts		Variance with Final Budget Under
	Original	Final	(Over)
Revenues:			
Taxes	$ 97,798	$ 97,798	$ -
Licenses and Permits	3	3	-
Intergovernmental	1,972	1,972	-
Charges for Services	12,837	12,837	-
Fines and Forfeits	660	660	-
Investment Earnings	750	750	-
Miscellaneous	608	892	284
Total Revenues	114,628	114,912	284
Expenditures:			
Current:			
General Government	30,984	30,517	467
Judicial	7,928	8,131	(203)
Public Safety	40,045	39,930	115
Public Transportation	13,647	14,129	(482)
Health	11,162	11,400	(238)
Welfare	7,588	7,472	116
Culture-Recreation	15	230	(215)
Conservation	269	271	(2)
Economic Development and Assistance	18,088	18,138	(50)
Debt Service:			
Principal	30	30	-
Interest and Fiscal Charges	20	20	-
Total Expenditures	129,776	130,268	(492)
Excess (Deficiency) of Revenue over Expenditures	(15,148)	(15,356)	(208)
Other Financing Sources (Uses):			
Transfers Out	(6,943)	(6,943)	-
Sale of Capital Assets	-	196	196
Total Other Financing Sources	(6,943)	(6,747)	196
Net Change in Fund Balance	(22,091)	(22,103)	(12)
Fund Balance at Beginning of Year	62,050	62,050	-
Fund Balance at End of Year	$ 39,959	$ 39,947	$ (12)

Under Texas Local Government Code Section 111.0707 through 111.07075, "the county auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may (or may not, at their option) adopt a special supplemental budget amendment for the purpose of spending the revenue for general purposes or for any of its intended purposes." Due to this statute, the increase in revenue totaling $284 thousand was certified in the General Fund and added to miscellaneous revenues that were in the original budget. The increase in total budgeted expenditures is due to the supplemental budget adopted along with the certification of this revenue.

Actuals Compared to Final Budget

The following is a comparison between the General Fund final amended budget and the final actual revenues and expenditures for the fiscal year ended September 30, 2021:

General Fund Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual Year Ended September 30, 2021 ($ in Thousands)

	Final Budget	Final Actual	Variance with Final Budget Under (Over)
Revenues:			
Taxes	$ 97,798	$ 105,833	$ (8,035)
Licenses and Permits	3	3	-
Intergovernmental	1,972	2,452	(480)
Charges for Services	12,837	15,849	(3,012)
Fines and Forfeits	660	618	42
Contributions and Donations	-	8	(8)
Investment Earnings	750	503	247
Miscellaneous	892	2,453	(1,561)
Total Revenues	114,912	127,719	(12,807)
Expenditures:			
Current:			
General Government	30,517	27,809	2,708
Judicial	8,131	6,882	1,249
Public Safety	39,930	38,958	972
Public Transportation	14,129	12,371	1,758
Health	11,400	9,501	1,899
Welfare	7,472	6,375	1,097
Culture-Recreation	230	190	40
Conservation	271	234	37
Economic Development and Assistance	18,138	1,652	16,486
Debt Service:			
Principal	30	30	-
Interest and Fiscal Charges	20	20	-
Total Expenditures	130,268	104,022	26,246
Excess (Deficiency) of Revenue over Expenditures	(15,356)	23,697	(39,053)
Other Financing Sources (Uses):			
Transfers Out	(6,943)	(6,943)	-
Sale of Capital Assets	196	263	67
Total Other Financing Sources	(6,747)	(6,680)	67
Net Change in Fund Balance	(22,103)	17,017	39,120
Fund Balance at Beginning of Year	62,051	67,613	5,562
Fund Balance at End of Year	$ 39,948	$ 84,630	$ 44,682

Actual Revenues Compared to Estimated Revenues

Actual revenues in the General Fund are about $12.8 million above estimated revenues in the budget. Highlights of these differences are as follows:

- Sales tax collections exceeded the estimated collections by $5.3 million and is due to the continued increase of economic activity within the County. In addition, sales tax collections were budgeted to decrease due to the Coronavrius pandemic, however, no decrease in collections actually occurred.

- Property tax collections exceeded the estimated collections by $2.7 million and is due partially to an increase in delinquent collections and also due to the fact that collections of current taxes exceeded the anticipated collection rate.

- Revenues classified as charges for services exceeded the estimated collections by $3.0 million and is primarily due to revenues received for the housing of prisoners held at the Jack Harwell Detention Center for other entities. The amount billed and collected exceeded the estimated revenues by $2.3 million after revenues were utilized to cover debt service expenditures.

Actual Expenditures Compared to Budgeted Expenditures

Actual expenditures in the General Fund were $26.2 million less than what was budgeted. The main reasons for the variance include:

- Expenditures in the Economic Development and Assistance function were $16.5 million less than what was budgeted. The variance is due to the fact that the entire fund balance for Economic Development and Assistance is budgeted each year in case a project arises that would utilize the funds.

- Actual expenditures in all functions were less than what was budgeted. One reason for the variances is the difference between budgeted and actual expenditures for payroll related items which was $3.0 million underbudget for 2021. This variance is due to vacancies in budgeted positions. The other decreases are due to the drop in activity in relation to the effects of the Coronavirus.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

McLennan County's total investment in capital assets, including construction in progress, for governmental type activities as of September 30, 2021, amounts to approximately $144.4 million (net of accumulated depreciation) compared to $128.2 million at September 30, 2020. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Depreciation on capital assets is recognized in the government-wide financial statements. Depreciation provided for the current fiscal year was $8.5 million as compared to $7.6 million for the year ended September 30, 2020.

Major capital activity during the current fiscal year included additions of approximately $37.2 million in buildings and improvements to buildings, approximately $3.2 million in machinery and equipment (which includes vehicles and heavy machinery used for public transportation and public safety purposes), $1.0 million in infrastructure additions (which includes roads and bridges), and a net decrease of $18.2 million to construction in progress at year-end due to various road and bridge projects, improvements to existing buildings, and new buildings. A condensed analysis of the County's capital assets is as follows:

Capital Assets (net of accumulated depreciation)

	September 30, 2021	September 30, 2020	Increase/ (Decrease)
Land	5,619,245	4,558,601	1,060,644
Buildings	92,491,537	60,033,772	32,457,765
Improvements, other than buildings	1,271,192	902,850	368,342
Machinery and equipment	12,284,673	11,917,007	367,666
Infrastructure	13,923,821	13,799,594	124,227
Construction in progress	18,775,462	36,975,020	(18,199,558)
	144,365,930	128,186,844	16,179,086

Additional information about McLennan County's capital assets can be found in the notes to the financial statements beginning on page 58.

Long-Term Debt

At September 30, 2021, McLennan County had approximately $63.0 million in total general obligation debt outstanding. All of the debt of the County's general obligation debt is backed by the full faith and credit of McLennan County. For internal purposes, various names are used to reference how the debt is used. For example, refunding, permanent improvement, and certificates of obligation are some of the names used to identify the indebtedness. McLennan County maintains a credit rating of AA1 from Moody's Investor Services and a rating of AA from Standard & Poors. There are no special assessment bonds of McLennan County at September 30, 2021.

At September 30, 2021, the McLennan County Public Facilities Corporation, presented as a blended component unit of McLennan County, had approximately $36.3 million in revenue bonds outstanding. The revenue bonds are the liability of the Corporation. Revenues from rental of jail space to third party entities is the source of funding for debt service on the revenue bonds and is used to cover all the expenses of the new jail's operations. The revenue bonds were rated AA- by Standard & Poors.

At September 30, 2021, McLennan County had approximately $34.3 million in revenue bonds outstanding related to the Venue Project (Heart of Texas fairgrounds renovation). Hotel occupancy taxes and motor vehicle rental taxes are the source of funding for debt service on the revenue bonds. The revenue bonds were rated AA- by Standard & Poors.

Additional information on the County's long-term debt can be found in the notes to the financial statements beginning on page 60.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

There have been several State of Texas and Federal legislative changes that have already impacted the finances of McLennan County and will continue to have an impact on future finances of the County. A listing of conditions and decisions that may impact the future financial condition of the County follows:

- The County adopted a decreased combined tax rate (.425000) in 2022 as in 2021 (.468719). Although the tax rate decreased by 4.3719 cents, the property values have increased and new property was added. This will raise a comparable amount of current property tax collections in 2022 compared to 2021.
- The County expects the cost of housing inmates and cost of indigent defense to continue to increase in the coming years. However, measures are being taken in an effort to decrease the expenditures related to both of these areas.

Requests for Information

This financial report is designed to provide a general overview of McLennan County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of County Auditor, McLennan County, 214 N. 4th Street, Suite 100, Waco, TX 76701.

BASIC FINANCIAL STATEMENTS

MCLENNAN COUNTY, TEXAS

Statement of Net Position

September 30, 2021

ASSETS		
Cash and Investments	$	207,983,465
Receivables (net of allowances for estimated uncollectibles):		
Taxes		3,130,901
Accounts		4,207,906
Due from Other Governments		7,325,874
Prepaid Items		643,614
Capital Assets (net of accumulated depreciation)		
Land		5,619,245
Buildings and system		92,491,537
Improvements other than buildings		1,271,192
Machinery and equipment		12,284,673
Infrastructure		13,923,821
Construction in progress		18,775,462
Total Assets	$	367,657,690
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pensions	$	20,062,180
Deferred Outflow Related to OPEB		9,960,870
Deferred Losses on Refundings of Debt		2,858,770
Total Deferred Outflows of Resources	$	32,881,820
LIABILITIES		
Accounts Payable	$	14,061,782
Accrued Interest Payable		1,516,721
Due to Other Governments		393,563
Estimated Claims Incurred but Not Reported		684,945
Unearned Revenue		33,132,060
Noncurrent liabilities:		
Due within one year		8,345,386
Due in more than one year		206,310,430
Total Liabilities	$	264,444,887
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pensions	$	10,713,587
Deferred Inflow Related to OPEB		3,267,177
Deferred Gains on Refundings of Debt		1,045,944
Total Deferred Outflows of Resources	$	15,026,708
NET POSITION		
Net Investment in Capital Assets	$	86,589,107
Restricted Net Position		
Restricted for General Government		2,347,983
Restricted for Judicial Functions		1,384,055
Restricted for Public Safety Functions		4,222,828
Restricted for Transportation Functions		10,243
Restricted for Health Functions		11,989,070
Restricted for Welfare Functions		19,150
Restricted for Capital Projects		17,527,267
Restricted for Debt Service		11,335,714
Unrestricted		(14,357,502)
Total Net Position	$	121,067,915

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

MCLENNAN COUNTY, TEXAS

Statement of Activities

For the Year Ended September 30, 2021

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
General Administration	$ 28,955,372	$ 9,858,445	$ 585,202	$ -	$ (18,511,725)
Judicial	7,613,172	2,775,343	116,282	-	(4,721,547)
Public Safety	58,740,287	17,705,943	3,964,338	-	(37,070,006)
Public Transportation	12,847,955	323,533	-	-	(12,524,422)
Health	48,087,598	275,095	43,946,631	-	(3,865,872)
Welfare	8,382,568	-	2,058,876	-	(6,323,692)
Culture-Recreation	2,283,789	30	-	51,717	(2,232,042)
Conservation	470,271	-	221,065	1,086,505	837,299
Economic Development and Assistance	1,651,816	-	-	-	(1,651,816)
Interest and Fiscal Charges	4,518,188	-	-	-	(4,518,188)
Total Governmental Activities	$ 173,551,016	$ 30,938,389	$ 50,892,394	$ 1,138,222	$ (90,582,011)

General Revenues:	
Property Taxes	87,009,818
Sales Tax	23,322,164
Other Taxes	3,272,211
Unrestricted Investment Earnings	656,259
Miscellaneous	2,375,396
Total General Revenues	116,635,848
Change in Net Position	26,053,837
Net Position - Beginning	95,526,420
Prior Period Adjustment	(512,342)
Net Position - Ending	$ 121,067,915

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

MCLENNAN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2021

	General Fund	Debt Service Fund	Permanent Improvement Fund	American Rescue Plan Fund	Local Provider Participation Fund	Emergency Rental Assistance Program Fund	PFC Jail Operating Fund	PFC Debt Service Fund	Other Governmental Funds	Total
ASSETS										
Assets:										
Cash and Investments	$ 87,008,676	$ 1,991,433	$ 46,485,362	$ 24,799,821	$ 11,989,070	$ 9,141,379	$ 2,308,103	$ 5,596,940	$ 13,145,764	$ 202,466,548
Receivables (net of allowances for estimated uncollectibles):										
Taxes	2,883,656	187,033	36,855	-	-	-	-	-	23,357	3,130,901
Accounts	327,679	-	4,940	-	-	-	-	-	16,640	349,259
Due from Other Funds	438,556	-	-	-	-	-	1,736,314	279,182	-	2,454,052
Due from Other Governments	6,736,063	-	-	-	-	-	-	-	589,811	7,325,874
Prepaid Items	614,991	-	-	-	-	-	-	-	28,623	643,614
Total Assets	$ 98,009,621	$ 2,178,466	$ 46,527,157	$ 24,799,821	$ 11,989,070	$ 9,141,379	$ 4,044,417	$ 5,876,122	$ 13,804,195	$ 216,370,248
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE										
Liabilities:										
Accounts Payable	$ 7,375,871	$ -	$ 1,334,700	$ -	$ -	$ 792,705	$ 3,765,235	$ -	$ 690,108	$ 13,958,619
Interest Payable	-	46,203	-	-	-	-	-	-	-	46,203
Due to Other Funds	2,898,691	-	-	-	-	-	279,182	-	344,443	3,522,316
Due to Other Governments	393,563	-	-	-	-	-	-	-	-	393,563
Unearned Revenue	-	-	-	24,799,821	-	8,348,674	-	-	2,876	33,151,371
Total Liabilities	10,668,125	46,203	1,334,700	24,799,821	-	9,141,379	4,044,417	-	1,037,427	51,072,072
Deferred Inflows of Resources:										
Unavailable Revenue										
Property Taxes	2,711,439	177,751	35,760	-	-	-	-	-	23,006	2,947,956
Grants	-	-	-	-	-	-	-	-	163,634	163,634
Total Deferred Inflows of Resour	2,711,439	177,751	35,760	-	-	-	-	-	186,640	3,111,590
Fund Balances:										
Nonspendable	614,991	-	-	-	-	-	-	-	28,623	643,614
Restricted for:										
General Government	-	-	-	-	-	-	-	-	2,347,983	2,347,983
Judicial	-	-	-	-	-	-	-	-	1,384,055	1,384,055
Public Safety	3,690	-	-	-	-	-	-	-	4,219,138	4,222,828
Public Transportation	-	-	-	-	-	-	-	-	10,243	10,243
Health	-	-	-	-	11,989,070	-	-	-	-	11,989,070
Welfare	-	-	-	-	-	-	-	-	4,993	4,993
Debt Service	-	1,954,512	-	-	-	-	-	5,876,122	3,318,047	11,148,681
Committed for:										
Welfare	14,157	-	-	-	-	-	-	-	-	14,157
Capital Projects	-	-	45,156,697	-	-	-	-	-	1,430,006	46,586,703
Economic Development	14,676,535	-	-	-	-	-	-	-	-	14,676,535
Assigned	15,893,910	-	-	-	-	-	-	-	-	15,893,910
Unassigned	53,426,774	-	-	-	-	-	-	-	(162,960)	53,263,814
Total Fund Balance	84,630,057	1,954,512	45,156,697	-	11,989,070	-	-	5,876,122	12,580,128	162,186,586
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 98,009,621	$ 2,178,466	$ 46,527,157	$ 24,799,821	$ 11,989,070	$ 9,141,379	$ 4,044,417	$ 5,876,122	$ 13,804,195	$ 216,370,248

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

MCLENNAN COUNTY, TEXAS

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position

September 30, 2021

Total fund balances - governmental funds		$ 162,186,586
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. These capital assets (net of accumulated depreciation) consist of:		
Land	$ 5,619,245	
Buildings	92,491,537	
Improvements other than buildings	1,271,192	
Machinery and equipment	12,284,673	
Infrastructure	13,923,821	
Construction in progress	18,775,462	
Total capital assets		144,365,930
Some fines and fees earned in the current fiscal year, which are not available to provide for current financial resources, are not recorded in the governmental funds.		3,858,647
Some property taxes earned in the current fiscal year, which are not available to provide for current financial resources, are deferred in the governmental funds.		3,130,901
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are not included in the governmental funds but are included in the Statement of Net Position.		5,797,073
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
Interest Payable	(1,470,518)	
General Obligation Bonds	(2,785,000)	
Revenue Bonds	(2,185,000)	
Capital Leases	(31,960)	
Compensated Absences	(3,343,426)	
Total Current Liabilities		(9,815,904)
General Obligation Bonds	(60,180,000)	
Revenue Bonds	(68,385,000)	
Capital Leases	(238,451)	
Unamortized Deferred Amount on Refunding	(1,045,944)	
Unamortized Deferred Original Issue Premium	(4,491,574)	
Unamortized Deferred Amount on Refunding	2,858,770	
Net Pension Liability	(29,230,756)	
Deferred Resources Related to Pensions	9,348,593	
Other Post Employment Benefits	(42,948,793)	
Deferred Resources Related to OPEB	6,693,693	
Compensated Absences	(835,856)	
Total Non-current Liabilities		(188,455,318)
Net Position		$ 121,067,915

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

MCLENNAN COUNTY, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Permanent Improvement Fund	American Rescue Plan Fund	Emergency Rental Assistance Program Fund	Local Provider Participation Fund	PFC Jail Operating Fund	PFC Debt Service Fund	Other Governmental Funds	Total
Revenues:										
Taxes	$105,832,601	$ 4,491,259	$ 525,538	$ -	$ -	$ -	$ -	$ -	$ 2,297,380	$ 113,146,778
Licenses and Permits	3,000	-	-	-	-	-	-	-	-	3,000
Intergovernmental	2,452,309	-	-	123,183	1,859,671	-	-	-	5,785,104	10,220,267
Charges for Services	15,848,687	-	-	-	-	-	9,888,825	-	2,331,446	28,068,958
Fines and Forfeits	618,290	-	-	-	-	-	-	-	215,271	833,561
Contributions and Donations	8,450	-	-	-	-	43,946,631	-	-	-	43,955,081
Investment Earnings	503,133	16,129	102,749	-	-	-	66	676	80,231	702,984
Miscellaneous	2,452,503	-	518	-	-	-	-	-	998	2,454,019
Total Revenues	127,718,973	4,507,388	628,805	123,183	1,859,671	43,946,631	9,888,891	676	10,710,430	199,384,648
Expenditures:										
Current:										
General Government	27,808,629	-	-	123,183	-	-	-	-	1,293,039	29,224,851
Judicial	6,882,233	-	-	-	-	-	-	-	395,694	7,277,927
Public Safety	38,957,601	-	-	-	-	-	8,187,541	-	9,489,458	56,634,600
Public Transportation	12,370,859	-	-	-	-	-	-	-	26,206	12,397,065
Health	9,501,044	-	-	-	-	38,558,729	-	-	-	48,059,773
Welfare	6,375,668	-	-	-	1,859,671	-	-	-	139,421	8,374,760
Culture-Recreation	190,283	-	-	-	-	-	-	-	29,994	220,277
Conservation	234,002	-	-	-	-	-	-	-	222,795	456,797
Economic Development and Assistance	1,651,816	-	-	-	-	-	-	-	-	1,651,816
Debt Service:										
Principal	29,923	3,135,000	-	-	-	-	-	1,770,000	350,000	5,284,923
Interest and Fiscal Charges	20,096	1,378,415	-	-	-	-	-	1,579,301	1,526,237	4,504,049
Bond Issue Costs	-	-	188,368	-	-	-	-	-	-	188,368
Capital Projects	-	-	10,654,150	-	-	-	-	-	9,853,872	20,508,022
Total Expenditures	104,022,154	4,513,415	10,842,518	123,183	1,859,671	38,558,729	8,187,541	3,349,301	23,326,716	194,783,228
Excess (Deficiency) of Revenue over Expenditures	23,696,819	(6,027)	(10,213,713)	-	-	5,387,902	1,701,350	(3,348,625)	(12,616,286)	4,601,420
Other Financing Sources (Uses):										
Transfers In	-	-	-	-	-	-	-	1,701,350	6,948,667	8,650,017
Transfers Out	(6,943,011)	-	-	-	-	-	(1,701,350)	-	(5,656)	(8,650,017)
Issuance of General Obligation Bonds	-	4,141	13,685,859	-	-	-	-	-	-	13,690,000
Issuance of Capital Lease	-	-	-	-	-	-	-	-	-	-
Premium on Issuance of Bonds	-	-	1,502,509	-	-	-	-	-	-	1,502,509
Sale of Capital Assets	263,285	-	-	-	-	-	-	-	9,281	272,566
Total Other Financing Sources (Uses)	(6,679,726)	4,141	15,188,368	-	-	-	(1,701,350)	1,701,350	6,952,292	15,465,075
Net Change in Fund Balance	17,017,093	(1,886)	4,974,655	-	-	5,387,902	-	(1,647,275)	(5,663,994)	20,066,495
Fund Balance at Beginning of Year	67,612,964	1,956,398	40,182,042	-	-	6,601,168	-	7,523,397	18,244,122	142,120,091
Fund Balance at End of Year	$ 84,630,057	$ 1,954,512	$ 45,156,697	$ -	$ -	$ 11,989,070	$ -	$ 5,876,122	$ 12,580,128	$ 162,186,586

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

MCLENNAN COUNTY, TEXAS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2021

Net change in fund balances - governmental funds		$ 20,066,495
Amounts reported for governmental activities in the statement of activities are different because:		
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The net activities of the Internal Service Fund are included in the governmental activities in the statement of activities.		1,130,584
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 23,248,949	
Depreciation expense	(8,496,394)	
Excess of depreciation expense over capital outlay		14,752,555
Governmental funds report the full amount of proceeds from capital asset sales. However, in the statement of activities, only the gains or losses associated with those sales are reported. In the current period these amounts are:		
Sales of capital assets	$ (272,566)	
Net gain on sale of capital assets	230,538	
		(42,028)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		1,468,559
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period these changes are:		
Property taxes receivable	$ (521,194)	
Fines and fees receivable	(962,527)	
Total receivables		(1,483,721)
The liabilities for compensated absences are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		(1,123)
The OPEB obligation per GASB 75 are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		(1,599,906)
Accrued interest reported as expense in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(37,401)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date.		1,684,147
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period these differences are:		
Issuance of debt	(13,690,000)	
Amortization of deferred refunding amount	23,262	
Premium on Issuance of Bonds	(1,502,509)	
Debt repayment	5,284,923	
Total long-term debt		(9,884,324)
Change in net position of governmental activities		$ 26,053,837

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

MCLENNAN COUNTY, TEXAS

Statement of Net Position

Proprietary Fund

September 30, 2021

		Total Governmental Activities Internal Service Fund
ASSETS:		
Current Assets:		
Cash and Investments	$	5,516,917
Due from Other Funds		1,162,377
Total Assets		6,679,294
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$	103,162
Estimated Claims Incurred But Not Reported		684,945
Due to Other Funds		94,113
Total Liabilities		882,220
NET POSITION - Unrestricted	$	5,797,074

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

MCLENNAN COUNTY, TEXAS

Statement of Revenues, Expenses
and Changes in Net Position

Proprietary Fund

For the Year Ended September 30, 2021

		Total Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for Services	$	9,058,135
Insurance Recovery		371,114
Misc Recovery		694,669
Total operating revenues		10,123,918
OPERATING EXPENSES		
Insurance Claims		7,440,638
Co Insurance Premiums		833,873
Administrative Costs		723,652
Total operating expenses		8,998,163
OPERATING INCOME/(LOSS)		1,125,755
NON-OPERATING REVENUES (EXPENSES)		
Investments Earnings		4,829
Total non-operating revenues (expenses)		4,829
CHANGE IN NET POSITION		1,130,584
NET POSITION, BEGINNING		4,666,490
NET POSITION, ENDING	$	5,797,074

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

MCLENNAN COUNTY, TEXAS

Statement of Cash Flows

Proprietary Fund

For the Year Ended September 30, 2021

		Total Governmental Activities Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from insurance claims recovery	$	1,065,783
Cash received from customers		9,459,440
Cash paid to employees for salaries and benefits		(70,543)
Cash paid to suppliers for goods and services		(9,123,810)
Net cash used by operating activities		1,330,870
CASH FLOW FROM INVESTING ACTIVITIES		
Interest on investments		4,829
Net cash provided by investing activities		4,829
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,335,699
CASH AND CASH EQUIVALENTS, BEGINNING		4,181,218
CASH AND CASH EQUIVALENTS, ENDING	$	5,516,917
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income/(Loss)	$	1,125,755
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Decrease (increase) in assets:		
Due from other funds		402,610
(Decrease) increase in liabilities:		
Accounts payable		(73,854)
Due to other funds		(272,821)
Claims payable		149,179
Net cash used by operations	$	1,330,870

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

MCLENNAN COUNTY, TEXAS

Statement of Fiduciary Net Position
Fiduciary Funds

September 30, 2021

	Total Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 11,328,478	$ 15,486,616
Due from Others	-	859
Due from Other Governments	-	11,440
Total Assets	11,328,478	15,498,915
LIABILITIES		
Accounts Payable	-	436,451
Due to Other Governments	-	965,292
Due to Others	-	12,639,093
Accrued Liabilities	-	374,893
Total Liabilities	-	14,415,729
NET POSITION		
Restricted for individuals, organizations, and other governments	11,328,478	1,083,186
Total Net Position	$ 11,328,478	$ 1,083,186

MCLENNAN COUNTY, TEXAS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

September 30, 2021

	Total Private Purpose Trust Funds	Total Custodial Funds
INCREASES		
Contributions from Judgements	$ 17,584,027	$ -
Deposits Held	-	3,718,179
Interest Income	7,549	6,918
Bonds Received	61,700	-
Tax Revenues	-	131,545,562
Taxes Collected on Behalf of Taxing Entities	-	497,783,177
Revenues Collected on Behalf of Other Entities	-	18,742,346
Probation Revenues	-	4,939,783
	17,653,276	656,735,965
DECREASES		
Disbursements to Beneficiaries	9,651,723	2,882,533
Operational Expenses	-	4,375,857
Cases Disposed	-	603,478
Revenues Disbursed to Other Entities	-	18,754,795
Taxes Disbursed to Taxing Entities	-	629,316,290
Deposits Returned	-	232,168
	9,651,723	656,165,121
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	8,001,553	570,844
NET POSITION - BEGINNING	3,326,925	512,342
NET POSITION - ENDING	11,328,478	1,083,186

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of McLennan County, Texas (the County) reflected in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards.* This financial report has been prepared in accordance with GASB Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments) issued in June 1999. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

(a) Reporting Entity

1. Primary Government

McLennan County (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, comprised of the County Judge and four Commissioners, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: justice administration (courts, juries, constables, district attorney, clerks, investigators, sheriff, jail), tax collection, road and bridge maintenance, public health, agricultural extension services, fairgrounds venue, juvenile services, assistance to indigents and area economic development.

2. Blended Component Units

The accompanying basic financial statements present the government as defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity* and in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14*. Blended component units, while legally separate entities, are, in substance, part of the government's operations.

The McLennan County Juvenile Probation/Detention Department is also a blended component unit of McLennan County and is governed by the McLennan County Juvenile Board, an entity defined by the Texas Legislature. The Juvenile Board appoints the Director of the department. The County holds and accounts for the funds of the department. Commissioners Court does have some level of legal authority in the budget process by approving the amount of the transfer from the "General Fund" to the "Juvenile Probation Local Fund." The Juvenile Board is responsible for approving the budget details that relate to this fund.

On September 2, 2008, the Commissioners Court of McLennan County issued a certificate for order that created a nonprofit public facilities corporation under Chapter 303 of the Texas Local Government Code. The McLennan County Public Facility Corporation (the "Corporation") was organized for the purpose of financing, on behalf of the County, an eligible criminal detention and correctional facility and to be responsible for the operations of such facility. The operations of the facility will be financed on an ongoing basis by the rental of jail space to third party entities, such as Federal agencies and other local governments. All of the members of the Board of Directors of the Corporation are appointed by the Commissioners Court of the County and at September 30, 2020 consisted of the individuals that comprise the Commissioners Court. The Corporation is included in the Annual Comprehensive Financial Report as a blended component unit. The Corporation's funds consist of an Operating Fund and a Debt Service Fund.

(b) Government–wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report on all the non-fiduciary activities of the County and its blended component units. The effect of inter-fund transfers has been removed from these statements but continues to be reflected on the fund statements. Primary support of governmental activities is derived from taxes, intergovernmental revenues and charges for services.

The statement of activities exhibits the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, 2) fines and fees assessed offenders by the judicial system, and 3) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Debt Service Fund, Permanent Improvement Fund, American Rescue Plan Fund, Local Provider Participation Fund, PFC Jail Operating Fund, and PFC Debt Service Fund meet the criteria or have been selected by management as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue Funds and a Capital Projects Fund. The combined amounts for these funds are reflected in a single column in the fund financial statements. Detailed statements for nonmajor funds are presented within Combining and Individual Fund Statements and Schedules.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district clerk and county clerk fines and fees, justice of the peace fines and fees, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes, sales and other taxes, state and federal grants, federal prisoner reimbursements and detention center revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes levied prior to September 30, 2020 that were due October 1, 2019, have been assessed to finance the budget of the fiscal year ending September 30, 2021. In accordance with the modified accrual basis of accounting, the balances outstanding at September 30, 2021, and beyond the 60 days after year-end have been reflected as unavailable revenue and taxes receivable in the fund financial statements. Property taxes and interest earned as of September 30 and received within 60 days of year-end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

1. The government reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment interest income. Primary expenditures are for general administration, judicial, public safety, health services, welfare services, capital acquisition, and debt service.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt Service Funds are required only when they are legally mandated and/or if resources are being accumulated for general long-term debt principal and interest payments maturing in future years. The principal source of revenues for the Debt Service Fund is ad valorem taxes.

The Permanent Improvement Fund is a constitutional fund used to account for the acquisition of and improvements to land and buildings on a continuing basis. The Commissioners Court in its annual budget includes specific appropriations for expenditures from this fund. The principal source of revenues for the Permanent Improvement Fund is ad valorem taxes.

The American Rescue Plan Fund was established to account for funding awarded to assist in preventing, preparing for, and responding to the coronavirus.

The Emergency Rental Assistance Program Fund was established to account for Federal grant revenues and expenditures related to the funding made available to assist households that were negatively affected by the coronavirus with rent and utility expenses.

The Local Provider Participation Fund was established to allow local hospital providers to access more federal funds, to ensure access to care, and reduce the level of uncompensated care in the community. The County is authorized to collect a mandatory payment from each institutional health care provider located in the County and to use the funds for certain intergovernmental transfers and indigent care programs.

The PFC Jail Operating Fund was established to account for the operations related to the McLennan County Public Facility Corporation's Jack Harwell Detention Center. There is no statutory requirement for a budget for this fund by the Commissioners Court as all of its activity is governed by the Board of Directors of the Public Facilities Corporation. The principal source of revenues for the PFC Jail Operating Fund is revenue generated from leasing the facility to McLennan County.

The PFC Debt Service Fund was established to account for the accumulation of resources, as required in the trust indenture, in an interest and sinking fund for use in future principal and interest obligations related to the McLennan County Public Facility Corporation (the "PFC) Revenue Bonds Series 2009. There is no statutory requirement for a budget for this fund by the Commissioners' Court as all of its activity is governed by the trust indenture and the Board of Directors of the Public Facilities Corporation.

2. The government reports the following nonmajor governmental funds:

Special revenue funds are used to account for specific revenue sources (other than for capital projects) that are legally restricted to expenditures for specified purposes. These legal restrictions can come from outside the County or from Commissioners Court.

3. Additionally, the government reports the following fund types:

Agency funds are used to account for situations where the County's role is strictly custodial in nature. As a result, all assets reported in an agency fund are offset by a liability to the party on whose behalf the assets are held. Most of these funds are held for legal reasons. Those reasons vary from funds held in trust for minors to funds placed in escrow awaiting a decision and order by the presiding court. Additional agency funds are used to account for cash on hand for tax collections for other governmental entities or for fees collected on behalf of the State and other governmental entities.

Private-purpose trust funds are used to report any trust arrangement under which principal and income benefit individuals, private organizations, or other government.

Internal service funds are used to finance, administer, and account for McLennan County's self-insured health, dental, and vision programs, whose purposes are to provide health, dental, and vision insurance to employees of the County. Due to the fact that these services predominantly benefit governmental rather than business-type functions, the fund has been included with the governmental activities in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is McLennan County's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Balance

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with an original maturity of three months or less from the date of acquisition.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U.S. Treasury and Governmental Agencies, commercial paper, repurchase agreements, bankers' acceptances, money market mutual funds and direct obligations of the State of Texas.

2. Receivables and Payables

Property taxes are recognized as revenues in the period for which the taxes are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables and revenues for prior-year levies delinquent at year-end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements.

Receivables are shown net of an allowance for uncollectable accounts.

Lending or borrowing between funds is reflected as "due to" or "due from" (current portion) or "advances to/from other funds" (noncurrent). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Inter-fund activity reflected in "due to" or "due from" is eliminated on the government-wide statements.

3. Inventories and Prepaid Items

Inventories of the governmental funds consist of expendable supplies and materials held for consumption. The purchase method is used to account for inventory in the governmental funds. The cost is recorded as an expenditure at the time individual items are purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost is recorded as a prepaid item at the time of purchase, but year-end adjustments are made to show the consumption of those items. Prepaid items are considered to be nonspendable fund balance.

4. Capital Assets — Primary Government

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The capitalization threshhold for the capitalization of assets is set forth in the following schedule:

Asset Category	Capitalization Threshold
Land and Land Improvements	Capitalize all
Improvements Other than Buildings	$5,000
Buildings and Building Improvements	
Buildings and Building Improvements	$50,000
Building Improvements performed/acquired after building acquisition	$5,000
Infrastructure	
Roads constructed, acquired or donated since 1980	Capitalize all
New Roads constructed 10/01/03	$300,000 per mile
Major road renovations and improvements	$100,000 per mile
Bridges	$20,000
Furniture, Equipment and Other Personal Property	$5,000
Leasehold Improvements	$5,000
Works of Art and Historical Treasures	$5,000

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset's life are expensed rather than capitalized.

Capital assets and infrastructure are depreciated using the straight line method over the following estimated useful lives:

Asset Category	Years
Buildings	30
Building and land improvements	10 to 25
Infrastructure - Bridges	25 to 45
Infrastructure - Roads	20
Furniture and Fixtures	10
General Equipment	5 to 15
Computer hardware	3 to 5
Passenger vehicles	5
Road maintenance equipment	10

5. Longevity Pay

Substantially all employees of the County are compensated on a salary basis. However there are some employees, mostly part-time or temporary, who are compensated on an hourly basis. Prior to the 2014 fiscal year, longevity pay was added to the salary of each official and each salaried employee of the County at the rate of $5 per month for each full year of continuous service by the employee. As of October 1, 2013, these total amounts were frozen and no additional longevity amounts were added to salaries.

6. Compensated Absences

Vacation leave is accrued by each salaried employee of the County each month at the rate of 0.0385 hours for each hour worked, up to a maximum balance of 200 hours. After 120 months of continuous service, the accrual rate is increased to 0.0577 hours for each hour worked. Upon termination, employees are paid for all accrued and unused vacation time.

Sick leave accrues at the rate of 0.0462 hours for each hour worked, up to a maximum balance of 480 hours. Sick leave may be used only for sickness and other specified purposes, and no payment is made for any unused sick leave.

A liability for unused vacation and compensatory time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

GASB Interpretation 6 indicates that liabilities for compensated absences should only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are paid from the same respective governmental operating funds as the ones from which the related employees' salaries were paid.

Compensated absences are accrued in the government-wide statements.

7. Health & Life Insurance Benefits

The County, at its expense, provides term life insurance coverage in the face amount of $10,000 for each official and each salaried employee.

Each official and each salaried employee is provided medical coverage through the County's self-insured health program. The County pays medical coverage premiums for eligible employees up to the lowest premium amount for the base plan of the County. Covered officials and employees may, at their own option and expense, have their spouses or dependents included in this medical coverage.

8. Other Benefits

Deferred Compensation Plan - The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits the deferral of Federal Income Tax on the deferred portion of the employee's compensation until future years. The deferred portion of compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, and becomes subject to Federal Income Tax when constructively received by the employee.

The assets of the Plan are not subject to the claims of the general creditors of the County, and, in accordance with GASB 32 "Accounting for Deferred Compensation Plans," the County does not present the assets and liabilities related to the Plan in the agency funds.

Cafeteria Plan - All salaried employees have the option of participating in a cafeteria plan created in accordance with Internal Revenue Code Section 125. This plan affords tax savings to the employee by allowing the County to provide certain benefits under an agreement with the employee that reduces the employee's taxable income while increasing his actual net income.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bond issues, bond premiums and discounts, as well as deferred gains or losses on refunding of debt, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Fund Balance Classification

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

- ***Nonspendable***: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- ***Restricted***: This classification includes amounts for which constraints have been placed on the use of the resources 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.

- ***Committed***: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Court removes or changes the specified use by means of a majority vote of Commissioners Court during an open meeting. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- ***Assigned***: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners Court.

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

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

11. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances by program as of September 30, 2021 pursuant to GASB No. 54 are as follows:

	General Fund	Debt Service Fund	Permanent Improvement Fund	American Rescue Plan Fund	Local Provider Participation Fund	PFC Debt Service Fund	Other Governmental Funds	Total
Fund Balances:								
Nonspendable:								
Prepaid Assets	$ 614,991	$ -	$ -	$ -	$ -	$ -	$ 28,623	$ 643,614
Restricted for:								
Alcohol/Drug Abuse Prevention/Treatment	-	-	-	-	-	-	41,553	41,553
Alcohol/Drug Court Program	-	-	-	-	-	-	200,341	200,341
Asset Forfeitures	-	-	-	-	-	-	736,655	736,655
Child Abuse Prevention	-	-	-	-	-	-	44,003	44,003
Contract Elections	-	-	-	-	-	-	318,745	318,745
County Clerk Records Management	-	-	-	-	-	-	260,907	260,907
Courthouse Security	-	-	-	-	-	-	239,957	239,957
Court-Initiated Guardianship	-	-	-	-	-	-	122,780	122,780
Court Records Preservation	-	-	-	-	-	-	173,211	173,211
Court Reporter Service	-	-	-	-	-	-	191,632	191,632
Debt Service	-	1,954,512	-	-	-	5,876,122	3,318,047	11,148,681
Dispute Resolution	-	-	-	-	-	-	75,944	75,944
District Attorney Programs	-	-	-	-	-	-	576,195	576,195
District Clerk Errors & Omissions	-	-	-	-	-	-	121,820	121,820
District Clerk Records Management	-	-	-	-	-	-	84,488	84,488
District Clerk Records Technology	-	-	-	-	-	-	54,066	54,066
Elections	-	-	-	-	-	-	1,593	1,593
Family Protection	-	-	-	-	-	-	4,993	4,993
Farm-to-Market/Flood Control	-	-	-	-	-	-	10,243	10,243
Jail Commissary	-	-	-	-	-	-	959,529	959,529
Justice Court Building Security	-	-	-	-	-	-	69,474	69,474
Justice Technology	-	-	-	-	-	-	56,492	56,492
Juvenile Delinquency Prevention	-	-	-	-	-	-	1,220	1,220
Juvenile Probation	-	-	-	-	-	-	2,461,009	2,461,009
Law Enforcement Officer Standards and Education	-	-	-	-	-	-	66,656	66,656
Law Library	-	-	-	-	-	-	394,914	394,914
Local Provider Participation	-	-	-	-	11,989,070	-	-	11,989,070
Local Truancy Prevention and Diversion	-	-	-	-	-	-	22,833	22,833
Records Management	-	-	-	-	-	-	288,791	288,791
Sheriff's Office-Cold Case Division	3,690	-	-	-	-	-	-	3,690
Tax Office Administration	-	-	-	-	-	-	252,230	252,230
Texas Veterans Commission	-	-	-	-	-	-	5,300	5,300
Title IV-E	-	-	-	-	-	-	114,077	114,077
Truancy Court	-	-	-	-	-	-	7,141	7,141
Unclaimed Juvenile Restitution	-	-	-	-	-	-	3,437	3,437
Veterans Treatment Court	-	-	-	-	-	-	3,960	3,960
Waco Foundation Grant	-	-	-	-	-	-	223	223
Committed for:								
Child Protective Services	14,157	-	-	-	-	-	-	14,157
Capital Projects	-	-	45,156,697	-	-	-	1,430,006	46,586,703
Economic Development	14,676,535	-	-	-	-	-	-	14,676,535
Assigned for:								
Fiscal Year 2022 Budget	15,893,910	-	-	-	-	-	-	15,893,910
Unassigned	53,426,774	-	-	-	-	-	(162,960)	53,263,814
Total Fund Balance	$ 84,630,057	$ 1,954,512	$ 45,156,697	$ -	$ 11,989,070	$ 5,876,122	$ 12,380,128	$ 162,186,586

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category.

- Pension/OPEB contributions after measurement date - These contributions are deferred and recognized in the following year.

- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five year period.

- Deferred charges on refundings - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or 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 the following items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Deferred inflows from property taxes - This amount represents property taxes collected for the next year that are recognized as a deferred inflow opposed to recognizing revenue in the current fiscal year.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

16. Prior Period Adjustment

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the County adjusted the beginning net position of the custodial funds and the beginning fund balance of the non-major special revenue fund, the Adult Probation Fund. The beginning balance of the custodial fund was established to be $512,342, being presented as a prior period adjustment in the Statement of Changes in Fiduciary Net Position.

II. DETAILED NOTES ON ALL FUNDS

(a) Deposits and Investments

Investments in the local government investment pool TexPool (rated AAAm by S&P) are stated at net asset value per share, which approximates fair value. Investments in the mutual funds and collateralized savings accounts are also stated at net asset value per share, which approximates fair value.

Regulatory oversight for the operations of these external investment pools is found in the Public Funds Investment Act of the State of Texas. Required oversight for the pools includes compliance with investment guidelines, annual independent audits and the establishment of oversight committees.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs such as comparable securities and various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values; and Level 3 inputs are significant unobservable inputs. TexPool and Texas Class have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects the pool's liquidity.

1. Interest Rate Risk

In accordance with the County's investment policy, exposure to declines in fair values is managed by limiting the weighted average maturity of its investment portfolio to two years for individual securities and 90 days for investment pools.

As of September 30, 2021, the County had the following investments:

Investment Type	Maturity Date	Reported Value	Weighted Average Maturity (Days)	Rating
Collateralized Certificates of Deposit:				
Central National Bank (CD)	10/31/2021	4,277,361	31	N/A
Alliance Bank (CD)	11/3/2021	2,703,330	34	N/A
First National Bank of McGregor (CD)	12/16/2021	5,432,022	77	N/A
Alliance Bank (CD)	5/3/2022	2,704,995	215	N/A
First National Bank of McGregor (CD)	9/1/2022	7,160,932	336	N/A
First National Bank of McGregor (CD)	9/14/2022	10,191,568	349	N/A
First National Bank of McGregor (CD)	1/6/2023	2,113,084	463	N/A
Central National Bank (CD)	7/20/2023	4,382,296	658	N/A
Investment Pools, Money Market Mutual Funds, and Collateralized Savings Accounts:				
BBVA Compass	N/A	4,964,419	N/A	N/A
Alliance Bank	N/A	6,150,299	N/A	N/A
Central National Bank	N/A	48,121,753	N/A	N/A
Central National Bank	N/A	25,105,928	N/A	N/A
Texas Class	N/A	1,145,023	53	AAAm
Texas Class	N/A	4,080,477	53	AAAm
Texas Class	N/A	15,000,416	53	AAAm
TexPool	N/A	285,081	37	AAAm
TexPool	N/A	680,235	37	AAAm
TexPool	N/A	14,578,608	37	AAAm
TexPool	N/A	24,928,004	37	AAAm
TexPool	N/A	376,501	37	AAAm
Portfolio Weighted Average Maturity			61	

2. Credit Risk

According to County policy, all of its cash deposits are required to be in an institution that either has its main office or a branch in Texas, and are guaranteed by the Federal Deposit Insurance Corporation or are secured as principal by obligations described in clauses (1) through (4). Furthermore, the County limits its exposure to credit risk by limiting its investments to (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full credit and good faith of the State of Texas or the United States or their respective agencies; (4) obligations of states, agencies, counties, cities and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than an A or its equivalent; (5) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (4) or in any other manner and amount provided by law for county and district deposits; (6) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligation described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the state of Texas; (7) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by two nationally recognized credit rating agencies; (8) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a weighted average stated maturity of 90 days or less; (9) no-load mutual funds registered with the Securities and Exchange Commission that have a weighted average maturity of less than two years, invest exclusively in obligations described in this policy and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and (10) government investment pools that invest solely in such obligations, provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service.

3. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County mitigates these risks by requiring diversification in the investment portfolio in its investment policy. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

4. Custodial Credit Risk Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At September 30, 2021, all cash deposits with financial institutions were insured by a combination of FDIC coverage, FHLB letters of credit, or collateralized securities.

5. Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2010, the County has no custodial risk with regard to its investments.

(b) Property Taxes and Other Receivables

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects property taxes for itself and for the following entities: Cities of Bellmead, Beverly Hills, Bruceville-Eddy, Crawford, Gholson, Hallsburg, Hewitt, Lacy-Lakeview, Leroy, Lorena, Mart, McGregor, Moody, Riesel, Robinson, Waco, West, Woodway; McLennan Community College; Independent School Districts of Axtell, Bosqueville, Bruceville-Eddy, China Spring, Connally, Crawford, Gholson, Hallsburg, LaVega, Lorena, Mart, McGregor, Midway, Moody, Riesel, Robinson, Waco, West; Special Districts of Castleman Creek, Elm Creek Watershed, Downtown Public Improvement District, and McLennan and Hill Counties Tehuacana Creek Water Control District #1. The County is the only taxing entity controlled by the Commissioners Court; and the County Tax Assessor/Collector acts only as an intermediary in the collection and distribution of property taxes to the other entities. The County collects and distributes delinquent tax collection fees for law firms.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector's Agency Fund. Tax collections are recorded as payable to entities at gross amount due before tax collection commission with the exception of McLennan Community College and the Special Districts of Elm Creek Watershed and the McLennan and Hill Counties Tehuacana Creek Water Control District #1 Benefit Tax. Collection commissions are recorded for the County as a receivable from the entities, with the exception of McLennan County's own taxes, whereas the commission is applied to the receivable when received from the entity. Tax collections deposited for the County are distributed on a monthly basis to the General Fund, Permanent Improvement Fund, and Debt Service Fund of the County. Distribution to the funds is based on the tax rate established for each fund by Commissioners Court order for the tax year for which the collections are made.

The County participates in three Tax Increment Finance (TIF) Districts. When a TIF District is created with the approval of all participating governmental taxing entities, the property included in the District has its assessed valuation frozen at the base year value. As projects are developed which increase the assessed valuation of the property, the resulting increases in taxes in years after the base year is returned to the TIF zones which financed the improvements, with taxes on the base year provided to the governmental taxing entities.

The County collects taxes on behalf of a taxing entity having a Special Improvement District (SID), reports delinquencies to the taxing entity, and does not manage the collection of delinquencies for the taxing entity.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Grant receivables are monies not yet received from Grantor Agencies to pay for the current period budgeted expenditures.

The County is authorized by the Constitution of Texas to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. In addition, the County is authorized to levy taxes up to \$0.30 per \$100 of assessed valuation to be used exclusively for the construction and maintenance of farm-to-market roads or flood control.

At the end of the current fiscal year, the various components of property taxes and other receivables reported in the governmental funds were as shown in the table following:

Delinquent Property Taxes Receivable:		**Taxes**		**Allowance**		**Net**
General Fund	$	3,204,062	$	(320,406)	$	2,883,656
Debt Service Fund		207,815		(20,782)		187,033
Permanent Improvement Fund		40,950		(4,095)		36,855
Other Governmental Funds		25,953		(2,596)		23,357
Total Delinquent Property Taxes Receivable	$	3,478,780	$	(347,879)	**$**	**3,130,901**
Due from Other Funds:						
General Fund					$	438,557
PFC Jail Operating Fund						1,736,314
PFC Debt Service Fund						279,182
Total Due from Other Funds					**$**	**2,454,053**
Due from Other Governments:						
General Fund					$	6,736,063
Other Governmental Funds						589,811
Total Due from Other Governments					**$**	**7,325,874**
Miscellaneous Receivables:						
General Fund					$	327,679
Permanent Improvement Fund						4,940
Other Governmental Funds						16,640
Total Miscellaneous Receivables					**$**	**349,259**
Total Receivables					**$**	**13,260,087**

(c) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition costs, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$4,558,601	$ 1,060,644	$ -	$5,619,245
Construction in progress	36,975,020	18,752,036	(36,951,594)	18,775,462
Total capital assets, not being depreciated	41,533,621	19,812,680	(36,951,594)	24,394,707
Capital assets being depreciated:				
Buildings	137,013,383	37,245,585	-	174,258,968
Improvements, other than buildings	1,921,827	447,225	-	2,369,052
Machinery and equipment	37,903,574	3,168,962	(1,213,985)	39,858,550
Infrastructure	45,128,680	994,651	-	46,123,331
Total assets being depreciated	221,967,464	41,856,423	(1,213,985)	262,609,901
Less accumulated depreciation for:				
Buildings	(76,979,611)	(4,787,820)	-	(81,767,431)
Improvements, other than buildings	(1,018,977)	(78,883)	-	(1,097,860)
Machinery and equipment	(25,986,567)	(2,759,267)	1,171,957	(27,573,877)
Infrastructure	(31,329,086)	(870,424)	-	(32,199,510)
Total accumulated depreciation	(135,314,241)	(8,496,394)	1,171,957	(142,638,678)
Total capital assets being depreciated, net	86,653,223	33,360,029	(42,028)	119,971,223
Governmental activities, net	$ 128,186,844	$ 53,172,709	$ (36,993,622)	$ 144,365,930

Depreciation expense for FY 2021 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 743,848
Judicial	415,580
Public safety	3,683,759
Public transportation	2,145,570
Health	29,099
Welfare	7,808
Culture and recreation	1,456,506
Conservation	14,224
Total depreciation expense — governmental activities	8,496,394

(d) Long-Term Liabilities

1. General Obligation Bonds

McLennan County issues general obligation bonds and tax notes to finance major capital projects. The following listing of debt is for general obligation bonds and tax notes outstanding at September 30, 2021; the debt is for governmental activities only:

Description	Interest Rates	Fiscal Year of Issue	Date of Maturity	Bonds Outstanding
Refunding Bonds Series 2014	1.5%	2015	2023	960,000
Certificates of Obligation Series 2016	2.0 – 3.0%	2016	2036	7,545,000
Certificates of Obligation Series 2017	3.0 – 4.0%	2017	2037	6,890,000
Certificates of Obligation Series 2019	2.0 – 5.0%	2019	2039	20,660,000
General Obligation Bonds, Series 2020	1.25 – 4.0%	2020	2040	13,220,000
General Obligation Bonds, Series 2021	2.0 – 5.0%	2021	2041	13,690,000
Total General Obligation Debt				$ 62,965,000

Refunding Bonds Series 2014 totaling $8,800,000, dated August 26, 2014 were issued to refund Certificates of Obligation Series 2003 and Refunding Bonds Series 2005 issued by the County. These bonds were issued at an effective rate of 1.5%. The proceeds were deposited with an escrow agent for the purpose of redeeming the refunded bonds on September 3, 2014. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

Certificates of Obligation Series 2016 totaling $9,550,000 dated August 1, 2016 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including County Courthouse, County Records Building, County Annex Building, and Shrine Building; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 2.34%.

Certificates of Obligation Series 2017 totaling $9,415,000 dated August 1, 2017 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including County Courthouse, County Records Building, County Annex Building, and Shrine Building; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 3.143%.

Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2019 totaling $21,985,000 dated July 30, 2019 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications and HVAC improvements), including County Courthouse, County Records Building, Downtown County Jail, County Archives Building, and County Annex Building; (3) acquiring, equipping, installing new, and improving existing technology, emergency response, and communications systems, including software, hardware, and other infrastructure; (4) acquiring, designing, constructing, renovating, repairing, and improving parks and recreation facilities at Tradinghouse Park; (5) acquiring, designing, construction, panning, expanding, improving, and equipping facilities for the County Court system, including any necessary purchase of land therefor; (6) materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes relating to the aforementioned capital improvements; and (7) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 2.507%.

General Obligation Bonds Series 2020 totaling $13,680,000 dated August 15, 2020 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) designing, construction, renovating, improving, upgrading, updating, acquiring, and equipping zoo facilities (and any necessary or related removal of existing facilities), with priority given to an education and veterinary complex, penguin exhibit, hoof stock barn, and commissary remodel; and (2) paying the costs related to the issuance of the bonds. These serial bonds were issued at an average coupon rate of 2.176%.

General Obligation Bonds Series 2021 totaling $13,690,000 dated August 17, 2021 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing

County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including the County Records Building, the County Archives Building, and the County Courthouse; (3) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for County public safety purposes, including the County's Public Safety Radio Tower Project; (4) acquiring, designing, constructing, planning, expanding, improving, and equipping facilities for the County Court system; (5) acquiring, designing, constructing, renovating, repairing, and improving stormwater facilities, including culverts, low water crossing, ditches, and any utilities relocation and/or road improvement incidental thereto; (6) purchasing voting equipment; (7) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes; and (8) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 3.606%.

2. Contractual Maturities of General Obligation Bonds

The annual debt service for general obligation bonds is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2022	2,785,000	1,744,111	4,529,111
2023	3,005,000	1,739,660	4,744,660
2024	2,795,000	1,662,185	4,457,185
2025	2,895,000	1,568,235	4,463,235
2026	2,980,000	1,472,835	4,452,835
2027 – 2031	16,665,000	5,622,575	22,287,575
2032 – 2036	19,360,000	2,937,013	22,297,013
2037 – 2041	12,480,000	713,620	13,193,620
Total	$ 62,965,000	$ 7,460,234	$ 80,425,234

3. Revenue Bonds

Project Revenue Refunding Bonds Taxable Series 2014 totaling $50,045,000, dated November 1, 2014 were issued to refund Revenue Bonds Series 2009 issued by the McLennan County Public Facility Corporation, a blended component unit of the County. The bonds were issued to refund certain outstanding obligations of the issuer issued to finance and refinance the costs of constructing and equipping a multi-classification secure detention center and pay certain costs of issuance relating to the bonds. The Revenue Bonds Series 2009 (the "Bonds") were issued to provide funds to (i) finance a project that consists of the development, design, construction and equipping of an 816 bed secure detention center on land in McLennan County, adjacent to the County's existing detention facility (the land, improvements and its operations are collectively referred to as the "Project"), (ii) to establish a reserve fund for the payment of the Bonds; (iii) to pay interest on the Bonds for a period of approximately 16 months from the date of issuance; (iv) to pay certain operating expenses during construction and for up to one year following completion of construction; and (v) to pay costs of issuing the Series 2009 Bonds. The land on which the detention center is built is subject to a ground lease between the County and the PFC.

In relation to the Project, The County has entered into a lease (the "Lease") with the PFC, wherein the County will lease the new detention center from the PFC. The consideration to be paid by the County to the PFC will be all rental payments received from third party entities that pay the County to house their inmates in the new detention facility.

The Revenue Refunding Bonds Series 2014 are payable from and secured by a pledge of all of the PFC's right, title and interest in the Lease, all project revenues, including the right to receive the rental payments (from the third parties housing their inmates in the detention center), other amounts due under the Lease, amounts deposited in the debt service fund, and all other accounts established under the Indenture.

The County is required under the Lease to pay rental payments which are sufficient in both time and amount, to pay when due, the principal and interest on the Bonds. The County's obligation to pay the rental payments and other additional amounts required pursuant to the Lease, including operation and maintenance costs, is payable solely from the County's project revenues (rentals from third parties) and other available money appropriated annually for such purpose by the Commissioners Court for such purpose. If the County fails to appropriate available money which, together with the County's project revenues, is sufficient for the payment of all such amounts in any fiscal year of the County, the Lease will terminate and the PFC may take possession of the Project.

Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A totaling $35,510,000, dated June 19, 2018 were issued to refund Venue Project Revenue Bonds (Combined Venue Tax), Series 2018. The refunded obligations were originally issued to provide short-term, interim financing to pay certain costs of the Venue Project and are now refunded into long-term financing to take advantage of low costs of borrowing and to restructure the outstanding County debt secured by and payable from pledged revenues. The Venue Project is located at the Heart of Texas fairgrounds in Waco, Texas and will include development, construction, and renovation of new and existing facilities including a multi-purpose arena, adjacent support facilities, and any related infrastructure. The County refunded the Series 2018 bonds in order to reduce the total debt service payments by $32,135,250 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,371,103.

The Venue Project Revenue and Refunding Bonds Series 2018A are payable from and secured by a pledge of the collection of a hotel occupancy tax and a motor vehicle rental tax. These taxes were adopted as an order by the County on June 20, 2017.

Description	Interest Rate	Fiscal Year of Issue	Date of Maturity	Bonds Outstanding
McLennan County Public Facility Corporation Project Revenue Refunding Bonds, Taxable Series 2014	Variable	2014	2035	$ 36,250,000
Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A	Variable	2018	2058	$ 34,320,000

4. Contractual Maturities of Revenue Bonds

The annual debt service for revenue bonds is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2022	2,185,000	3,042,064	5,227,064
2023	2,255,000	2,972,864	5,227,864
2024	2,335,000	2,896,727	5,231,727
2025	2,425,000	2,805,973	5,230,973
2026	2,520,000	2,706,832	5,226,832
2027 – 2031	14,260,000	11,881,085	26,141,085
2032 – 2036	17,955,000	8,177,281	26,132,281
2037 – 2041	4,035,000	5,335,437	9,370,437
2042 – 2046	5,130,000	4,250,987	9,380,987
2047 – 2051	6,270,000	3,102,081	9,372,081
2052 – 2056	7,670,000	1,702,594	9,372,594
2057 – 2061	3,530,000	219,862	3,749,862
Total	$ 70,570,000	$ 49,093,787	$ 119,663,787

5. Capital Leases

The County leases some of its assets under capital leases. The economic substance of the capital leases is that the County is financing the acquisition of these assets through the leases over their terms. Accordingly, these acquisitions are reflected in the County's assets and liabilities.

Under State law, the County may not legally obligate the revenue of future years to liquidate any lease obligations due in those years. Therefore, non-appropriation clauses exist in each lease agreement with the provision that in the event funds are not appropriated for the rental payments tentatively required for the next fiscal year, the lessee may terminate that lease agreement.

The County assumes responsibility for all costs and expenses arising from the use, possession and maintenance of all equipment held under the leases. At the end of each of the lease agreements, the security interest of the lessor in the equipment held under the lease is released. A schedule of capital leases, all related to governmental activities is presented on the following page.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, all governmental activities, were as follows:

Fiscal Year Ending September 30,	Obligation
2022	$ 50,373
2023	50,373
2024	50,373
2025	179,281
Total minimum lease payments	$ 330,400
Less: amount representing interest	(59,989)
Present value of minimum lease payments	$ 270,411

The assets acquired through capital leases are as follows:

Assets:	
Machinery and equipment	$ 328,349
Total Cost	328,349
Less: Accumulated depreciation	(-)
Total	$ 328,349

Schedule of Lease-Purchase Agreements Outstanding

At September 30, 2021

	Central National Bank
Effective Date	11/06/15
Original Lease Amount	$328,349
Outstanding Principal at September 30, 2021	$270,411
Total Future Payments Under Lease Agreement	$330,388
Simple Interest Rate	6.81%
Lease Term	6 years
Property Held Under Lease	2020 John Deere Motor Grader
Debt Service	100% General Fund

6. Debt Related to Capital Assets

The following table presents the amount of the different types of debt that are related to the County's capital assets:

Type of Debt	Total Debt	Debt Related to Capital Assets
General Obligation Bonds	$ 62,965,000	$ 21,232,423
Revenue Bonds	70,570,000	70,570,000
Total	$ 133,535,000	$ 91,802,423

7. Changes in Noncurrent Liabilities

Noncurrent liabilities for the year ended September 30, 2021, all of which were from governmental activities, were as follows:

	General Obligation Bonds	Revenue Bonds	Premiums on Bonds	Capital Leases	Compensated Absences	Net Pension Liability	Other Post Employment Benefits	Total Governmental Activity
PRINCIPAL:								
Beginning balance	$ 52,410,000	$ 72,690,000	$ 3,168,543	$ 300,334	$ 4,178,159	$ 21,216,337	$ 36,913,941	$ 190,877,314
Additions	13,690,000	-	1,502,509	-	4,015,676	8,014,419	6,034,852	33,257,456
Reductions	3,135,000	2,120,000	179,478	29,923	4,014,553	-	-	9,478,954
Ending Balance	62,965,000	70,570,000	4,491,574	270,411	4,179,282	29,230,756	42,948,793	214,655,816
Due within one year	$ 2,785,000	$ 2,185,000	-	$ 31,960	$ 3,343,426	-	-	$ 8,345,386

Debt service for general obligation bonds and revenue bonds is provided by the Debt Service Funds and compensated absences and OPEB are liquidated by the same funds in which the respective employees are employed.

(f) Post Employment Benefits Other Than Pension Benefits (OPEB)

1. Plan Description

The County's OPEB provides health benefits to eligible retired employees of the County and is a single employer plan administered by the County. Separately issued financial statements are not available for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. McLennan County Commissioners Court has the authority to establish and amend the benefits of the plan.

2. Plan Participants

Members are eligible for retirement with TCDRS at age 60 with 8 years of service, or at any age with 30 years of service, or when age plus years of service equals 75.

3. Normal Retirement Benefits

Health Care Benefit Eligibility Conditions

With the exception of employees who come to work for the County on or after January 1, 2009, who do not qualify for retiree health care benefits, each full-time employee who separates from the service of McLennan County, and who, at the time of their separation, is eligible for retirement under Texas County and District Retirement System (TCDRS) guidelines, and either (1) has total creditable service with TCDRS and continuous service as a full-time employee of McLennan County of twenty (20) years or more, or (2) has total creditable service with TCDRS and continuous service as an elected official of McLennan County of twelve (12) years or more; and whose full salary has been paid entirely from McLennan County funds or Grant funds received from Federal, State or other Local Governments by McLennan County, for 20 years or more, or (2) for twelve (12) years or more as an elected official, and is covered by the McLennan County group health program at the time of their retirement, will have the same dollar amount contributed towards their group medical premiums by the County that the County contributes towards such premiums for its full-time employees.

Retiree Health Care Benefit

For eligible retirees, premiums for medical coverage shall be paid by the County, at the same dollar amount contributed towards their group medical premiums by the County that the County contributes toward such premiums for its full-time employees. If the retiree qualifies (must have Medicare A & B, and may have to be 65 or older) and such plan is available through the County, the retiree may elect a senior health plan instead of a traditional group health plan. If the retiree elects a senior health plan and the premium amount is less than the premium amount the County contributes for its full-time employees, the County will pay the lower premium. Premiums for spouses and dependents shall be paid by the retiree.

Each full-time employee who separates from the service of McLennan County, and who is eligible for retirement under TCDRS, and who is covered by the McLennan County group health program at the time of such retirement, but does not meet the minimum requirements set forth above, will be permitted to continue their participation in current or future group health or senior health plan programs, provided by McLennan County for its employees and retirees, at their sole expense. Coverage for spouses and dependents who are participants in the County's group health program on the date of the employee's retirement may also be continued. Premiums for spouses and dependents shall also be paid by the retiree.

Early Retirement Benefits

Only members who have the required time of continuous service are eligible for retiree health benefits. There are no "early retirement benefits".

Deferred Retirement Benefits

Eligible members who terminate employment without retiring with TCDRS can continue the same medical coverage in which they were enrolled at termination. If eligible members elect not to continue medical coverage at termination, they are not eligible for retiree health care benefits when they activate their retirement from TCDRS.

Death-in-Service Retirement Benefits

Provided the County is able to secure an agreement with its insurance providers for such coverage and such does not cause an increase in the County's insurance costs which the County, in its sole discretion, finds unacceptable, in the event of the death of a retiree who has retired from service with McLennan County under TCDRS, the spouse and dependents will be allowed, at their own option and expense, to continue their participation in such health insurance plans as may be provided by the County. This eligibility extends only to persons covered by the retiree's insurance at the time of the death of the retiree. This eligibility for any spouse ceases at the end of the month in which the spouse marries.

4. Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	232
Active Plan Members	993
Total Plan Members	1,225

5. Total OPEB Liability

The County's total OPEB liability of $42,948,793 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including wage inflation of 3.25%
Discount Rate	2.00% as of December 31, 2020 The discount rate changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020
Healthcare Cost Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years Post-65: Initial rate of 5.50% declining to an ultimate rate of 4.15% after 14 years
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for TCDRS; For the OPEB valuation, the standard TCDRS retirement rates were adjusted to reflect the impact of the County's retiree medical plan design
Participation Rates	95% of future retirees who are eligible for a County subsidy were assumed to receive retiree health care benefits through the County. Alternatively, only 20% of retirees who are not eligible for a subsidy were assumed to elect coverage.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of 12/31/20	$ 36,913,941
Service cost	924,734
Interest on total OPEB liability	1,010,854
Difference between expected and actual experience of the total OPEB liability	389,660
Changes of benefit terms	-
Changes of assumptions	4,945,562
Benefit payments	(1,235,958)
Net change in total OPEB liability	6,034,852
Balances as of 12/31/21	$ 42,948,793

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 2.00%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

1% Decrease 1.00%	Current Discount Rate Assumption 2.00%	1% Increase 3.00%
$51,087,729	$42,948,793	$36,536,390

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

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$35,449,318	$42,948,793	$52,767,309

6. Deferred Outflows Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 344,489	$ 1,158,096
Changes in assumptions	8,933,026	2,109,081
Contributions subsequent to the measurement date	683,355	-
Total	$ 9,960,870	$ 3,267,177

$683,355 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expenses as follows:

7. Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ended September 30,	Deferred Outflows/(Inflows)
2022	$ 894,112
2023	894,112
2024	894,112
2025	894,112
2026	561,011
Thereafter	1,872,879
Total	$ 6,010,338

(g) Inter-fund Receivables, Payable Balances and Transfers

Inter-fund Receivables and Payables Balances

Activity between funds that represent the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year end are referred to as "due to/from other funds." The composition of inter-fund balances as of September 30, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	$ 94,113
General	Nonmajor Governmental	344,443
PFC Jail Operating	General	1,736,314
PFC Debt Service	PFC Jail Operating	279,182
Proprietary	General	1,162,377
Total		$ 3,616,429

Inter-fund Transfers

During the fiscal year ended September 30, 2021, the General Fund transferred $6,943,011 to the Juvenile Probation Local Fund. A transfer was made from the PFC Jail Operating Fund to the PFC Debt Service Fund for $1,701,350 in order to support principal and interest payments. A transfer was made within funds included in Nonmajor Governmental funds (Chapter 19 Fund and Help America Vote Act Grant Fund) in the amount of $5,656 for the purpose of grant match funding.

	Transfers Out			
Transfers In	General Fund	PFC Jail Operating Fund	Nonmajor Governmental Funds	Totals
PFC Debt Service	$ -	$ 1,701,350	$ -	$ 1,701,350
Nonmajor Governmental	6,943,011	-	5,656	6,948,667
Totals	$ 6,943,011	$ 1,701,350	$ 5,656	$ 8,650,017

III. OTHER INFORMATION

(a) Risk Management

Property and liability risks - The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to mitigate losses from such occurrences, the County has risk management programs, as discussed on the following page.

The County participates in insurance risk pools offered by the Texas Association of Counties to provide general liability, public officials' liability, vehicular liability, district and county clerk errors and omissions, and law enforcement liability. Another Texas Association of Counties risk pool provides adequate property damage insurance for the County's buildings and their contents. Premiums are paid into the pool annually, and are based on the prior year's experience factors.

The County operates a mainframe computer installation on which nearly the entire County's court records are maintained. The data is backed up daily and stored offsite in a fireproof storage area.

Texas statutes require public officials' faithful performance bonds for substantially all elected and appointed officials. In addition, the County carries a blanket employee dishonesty bond in the amount of $100,000 per occurrence for all County employees. In addition, tax office employees are covered by a $100,000 comprehensive dishonesty, disappearance and destruction policy.

The County maintains and operates a helicopter. Aircraft liability in the amount of $1,000,000 is carried through a commercial insurance company.

The vehicles owned by the County are insured for liability coverage only, with the exception of those vehicles purchased under a capital lease. The County assumes the risk for any property damage to its own vehicles, unless a third party causes the damage, in which case subrogation is pursued with the third party. Full coverage is maintained on the leased vehicles.

Workers' compensation coverage is provided through a risk pool set up by the Texas Association of Counties. Premiums are paid into the pool based on the prior year's experience factor.

Health and medical insurance for employees is offered through the County's self-insured health program to each official and salaried employee. The County pays medical coverage premiums for eligible employees up to the lowest premium amount for the base plan of the County. Other supplemental insurance policies are offered to employees at their option and cost through third-party providers.

Changes in coverage from prior year - There were no decreases in the insurance coverage maintained by the County in 2020 compared to 2019.

Settlements exceeding coverage – No settlements against the County exceeded the related insurance coverage in fiscal year 2020.

(b) Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. If any expenditures are determined to be disallowed under terms of the grant, the County would be required to reimburse the grantor agency. A contingent liability was not established because potential reimbursements are considered immaterial.

The County is named as a defendant in various lawsuits related to alleged violations of constitutional and employment rights. In all of these cases, the County is denying the allegations and is vigorously defending against them. County officials estimate that the potential claims against the County will not materially adversely affect the financial position of the County.

(c) Tax Abatements

The County enters into economic development agreements designed to promote development and redevelopment within the County, stimulate commercial activity, and enhance the property tax base and economic vitality of the County. This program reduces the assessed property values as authorized under Chapter 381 of the Texas Local Government Code.

The County has entered into various agreements that reduce property taxes. Agreements for a reduction of taxable values call for a reduction of 5% to 90% for 4 to 10 years. Each developer requires a monetary commitment and a minimum employment requirement. For fiscal year 2021, the County did not rebate any amounts in property taxes.

(d) Related Party Transactions

The general laws of the State of Texas prohibit transactions, with certain exceptions, between the County and its officers or between the County and any entity in which a County officer may have a substantial interest. During the fiscal year ended September 30, 2021, there were no transactions which are known to have violated these prohibitions.

IV. EMPLOYEE RETIREMENT SYSTEM

(a) Plan Description

The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

(b) Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 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 TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2016 actuarial valuation.

1. Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	638
Inactive employees entitled to but not yet receiving benefits	135
Active employees	1,091
	1,864

(c) Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the County were 14.4% and 13.48% in calendar years 2020 and 2021, respectively. The County's contributions to TCDRS for the year ended September 30, 2021, were $7,977,253.95 and were equal to the required contributions.

(d) Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

1. Actuarial Assumptions

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smooth market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50% net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: Employer contributions reflect that a 2% flat COLA was adopted.

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2020. All other actuarial assumptions that determined the total pension liability as of December 31, 2020, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

The long-term expected rate of return on pension plan investments is 7.6%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2021 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LTSA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index [3]	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [5]	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

[1] *Target asset allocation adopted at the March 2021 TCDRS Board meeting.*

[2] *Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.0% per Cliffwater's 2021 capital market assumptions.*

[3] *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*

[4] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

[5] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

2. Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

3. Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2019	$ 286,860,908	$ 265,644,571	$ 21,216,337
Changes for the year:			
Service cost	6,472,108	-	6,472,108
Interest on total pension liability (1)	23,084,609	-	23,084,609
Effect of Plan Changes (2)	0	-	0
Effect of economic/demographic gains or losses	(433,202)	-	(433,202)
Effect of assumptions changes or inputs	17,455,346	-	17,455,346
Refund of contributions	(536,983)	(536,983)	0
Benefit payments	(16,469,800)	(16,469,800)	0
Administrative expenses	-	(210,151)	210,151
Member contributions	-	2,962,556	(2,962,556)
Net investment income	-	27,431,574	(27,431,574)
Employer contributions	-	8,532,160	(8,532,160)
Other (3)	0	(151,698)	151,698
Balances as of December 31, 2020	316,432,986	287,202,229	29,230,756

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) no plan changes valued.
(3) Relates to allocation of system-wide items.

4. Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease 6.6%	Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	$ 356,587,866	$ 316,432,986	$ 282,760,060
Fiduciary net position	287,202,229	287,202,229	287,202,229
Net pension liability/(asset)	$ 69,385,637	$ 29,230,757	$ (4,442,169)

5. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the County recognized pension expense of $6,292,324.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 173,333	$ 756,430
Changes in actuarial assumptions	14,122,980	-
Difference between projected and actual investment earnings	-	9,957,157
Contributions subsequent to the measurement date	5,765,867	-
Total	$ 20,062,180	$ 10,713,587

$5,765,867 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2022	$ 152,599
2023	2,972,534
2024	(1,717,310)
2025	2,174,903

REQUIRED SUPPLEMENTARY INFORMATION

MCLENNAN COUNTY, TEXAS

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended September 30, 2021

	Budget Original	Budget Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	$ 97,798,173	$ 97,798,173	$ 105,832,601	$ 8,034,428
Licenses and Permits	2,500	2,500	3,000	500
Intergovernmental	1,971,700	1,971,700	2,452,309	480,609
Charges for Services	12,837,649	12,837,649	15,848,687	3,011,038
Fines and Forfeits	660,000	660,000	618,290	(41,710)
Contributions and Donations	-	-	8,450	8,450
Investment Earnings	750,000	750,000	503,133	(246,867)
Miscellaneous	607,863	892,779	2,452,503	1,559,724
Total Revenues	114,627,885	114,912,801	127,718,973	12,806,172
Expenditures:				
Current:				
General Government	30,984,454	30,516,661	27,808,629	(2,708,032)
Judicial	7,928,300	8,130,792	6,882,233	(1,248,559)
Public Safety	40,045,169	39,930,141	38,957,601	(972,540)
Public Transportation	13,647,497	14,129,134	12,370,859	(1,758,275)
Health	11,161,542	11,400,140	9,501,044	(1,899,096)
Welfare	7,588,319	7,472,101	6,375,668	(1,096,433)
Culture-Recreation	14,702	230,073	190,283	(39,790)
Conservation	268,802	270,812	234,002	(36,810)
Economic Development and Assistance	18,087,617	18,137,617	1,651,816	(16,485,801)
Debt Service:				
Principal	29,924	29,924	29,923	(1)
Interest and Fiscal Charges	20,450	20,450	20,096	(354)
Total Expenditures	129,776,776	130,267,845	104,022,154	(26,245,691)
Excess (Deficiency) of Revenue over Expenditures	(15,148,891)	(15,355,044)	23,696,819	39,051,863
Other Financing Sources (Uses):				
Transfers Out	(6,943,011)	(6,943,011)	(6,943,011)	-
Sale of Capital Assets	-	195,708	263,285	67,577
Total Other Financing Sources	(6,943,011)	(6,747,303)	(6,679,726)	67,577
Net Change in Fund Balance	(22,091,902)	(22,102,347)	17,017,093	39,119,440
Fund Balance at Beginning of Year	62,050,050	62,050,050	67,612,964	5,562,914
Fund Balance at End of Year	$ 39,958,148	$ 39,947,703	$ 84,630,057	$ 44,682,354

MCLENNAN COUNTY, TEXAS

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended September 30, 2021

	Measurement Date December 31, 2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 6,472,108	$ 5,822,087	$ 5,636,373	$ 5,498,465	$ 5,669,584	$ 5,577,869	$ 5,604,082
Interest (on the total pension liability)	23,084,609	21,870,451	21,013,365	20,150,738	18,998,266	18,128,693	17,307,696
Effect of plan changes	-	2,732,022	-	-	-	(796,156)	-
Effect of economic/demographic (gains) or losses	17,455,346	288,887	(639,734)	(769,871)	1,015,390	(892,731)	(1,562,356)
Effect of assumption changes or inputs	(433,202)	-	-	793,507	-	2,533,791	-
Benefit payments, including refunds of employee contributions	(17,006,783)	(15,765,098)	(15,469,477)	(14,864,377)	(13,510,086)	(12,527,184)	(11,596,355)
Net change in total pension liability	29,572,078	14,948,349	10,540,527	10,808,462	12,173,154	12,024,282	9,753,067
Total pension liability - beginning	286,860,908	271,912,559	261,372,032	250,563,570	238,390,416	226,366,134	216,613,067
Total pension liability - ending (a)	$ 316,432,986	$ 286,860,908	$ 271,912,559	$ 261,372,032	$ 250,563,570	$ 238,390,416	$ 226,366,134
Plan Fiduciary Net Position							
Contributions - employer	$ 8,532,160	$ 6,794,038	$ 8,837,781	$ 8,621,330	$ 8,823,920	$ 7,740,449	$ 5,530,345
Contributions - Employee	2,962,556	2,563,111	2,384,166	2,302,277	2,084,443	2,009,966	1,970,906
Net investment income	27,431,574	38,434,448	(4,576,665)	31,440,716	15,053,289	(1,201,653)	13,403,170
Benefit payments, including refunds of employee contributions	(17,006,783)	(15,765,098)	(15,469,477)	(14,864,376)	(13,510,086)	(12,527,183)	(11,596,355)
Administrative expense	(210,151)	(202,431)	(187,952)	(161,681)	(163,507)	(147,697)	(156,366)
Other	(151,697)	(182,384)	(102,125)	(54,208)	27,274	228,513	(443,544)
Net change in plan fiduciary net position	21,557,659	31,641,684	(9,114,272)	27,284,058	12,315,333	(3,897,605)	8,708,156
Plan fiduciary net position - beginning	265,644,571	234,002,887	243,117,159	215,833,101	203,517,768	207,415,373	198,707,217
Plan fiduciary net position - ending (b)	$ 287,202,230	$ 265,644,571	$ 234,002,887	$ 243,117,159	$ 215,833,101	$ 203,517,768	$ 207,415,373
Net Pension Liability - Ending (a)-(b)	$ 29,230,756	$ 21,216,337	$ 37,909,672	$ 18,254,873	$ 34,730,469	$ 34,872,648	$ 18,950,761
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.76%	92.60%	86.06%	93.02%	86.14%	85.37%	91.63%
Covered Payroll	$ 59,251,129	$ 51,237,162	$ 47,683,329	$ 46,045,545	$ 41,688,859	$ 40,199,327	$ 39,418,124
Net Pension Liability as a Percentage of Covered Payroll	49.33%	41.41%	79.50%	39.65%	83.31%	86.75%	48.08%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

MCLENNAN COUNTY, TEXAS

Required Supplementary Information

Schedule of Pension Contributions

For the Year Ended September 30, 2021

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as % of Covered Payroll
2014	5,699,546	5,699,546	-	39,049,454	14.6%
2015	5,749,993	5,749,993	-	40,442,780	14.2%
2016	5,851,517	7,811,502	(1,959,985)	41,381,550	18.9%
2017	6,410,950	9,410,950	(3,000,000)	44,871,683	21.0%
2018	6,856,591	8,856,591	(2,000,000)	47,783,347	18.5%
2019	6,686,214	8,686,214	(2,000,000)	49,510,164	17.5%
2020	8,038,326	8,038,326	-	56,846,729	14.1%
2021	7,977,254	7,977,254	-	58,130,352	13.7%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes availabl

MCLENNAN COUNTY, TEXAS

Required Supplementary Information

Notes to Schedule of Contributions

For the Year Ended September 30, 2021

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the schedule. 2016: No changes in plan provisions were reflected in the schedule. 2017: New annuity purchase rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the schedule. 2019: No changes in plan provisions were reflected in the schedule.

MCLENNAN COUNTY, TEXAS

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

For the Year Ended September 30, 2021

Measurement Date as of December 31,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 924,734	$ 1,109,069	$ 1,358,936	$ 1,136,169
Interest on the total OPEB liability	1,010,854	1,789,786	1,649,709	1,661,727
Difference between expected and actual experience of the total OPEB liability	389,660	(1,215,172)	(351,686)	-
Changes of benefit terms	-	(15,191,970)	-	-
Changes of assumptions	4,945,562	3,247,216	(3,301,575)	3,986,044
Benefit payments	(1,235,958)	(1,025,333)	(631,447)	(708,643)
Net change in total OPEB liability	6,034,852	(11,286,404)	(1,276,063)	6,075,297
Total OPEB liability - beginning	36,913,941	48,200,345	49,476,408	43,401,111
Total OPEB liability - ending	$ 42,948,793	$ 36,913,941	$ 48,200,345	$ 49,476,408
Covered Employee Payroll	$ 55,096,312	$ 47,518,400	$ 37,676,884	$ 38,505,471
Total OPEB Liability as a percentage of covered-employee payroll	77.95%	77.68%	127.93%	128.49%

Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2020 to 2.00% as of December 31, 2021. The health care trend assumption was updated to better reflect the plan's anticipated experience and to reflect the repeal of the excise tax on high-cost employer health plans. Additionally, the period of service used for the allocation of service costs was changed to only reflect service with McLennan County.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the following Special Revenue and Capital Projects Funds: Alcohol and Drug Abuse Prevention and Treatment, American Rescue Plan, Bulletproof Vest Partnership Program, Chapter 19, Constable Forfeited Assets, Contract Elections, Coronavirus Emergency Supplemental Fund, Coronavirus Relief, District Attorney Apportionment, District Attorney Forfeited Assets, District Attorney Hot Check, Emergency Rental Assistance Program Fund, Help America Vote Act Grant, HOTCOG Local Grant, Jail Commissary, Justice Assistance Grant, Justice Grants Fund, Juvenile Probation Local, Juvenile Probation State Grants, Law Enforcement Officers Standards and Education, Local Provider Participation, Local Truancy Prevention and Diversion Fund, Natural Resources Conservation and Service Grant, Office of the Governor Grant, PFC Jail Operating Fund, PFC Debt Service, Sheriff Forfeited Assets, Statewide Automated Victim Notification System, Tax Office Administration, Texas Department of Agriculture Grant, Texas Historic Courthouse Preservation, Texas Indigent Defense Commission Grant, Texas Parks and Wildlife Boating Access Grant, Texas Veterans Commission Grant, Title IV-E, Unclaimed Juvenile Restitution, Venue Project, Venue Project Debt Service, Veterans Treatment Court Program, Victim Coordinator and Liaison Grant, and Waco Foundation Grant. In some instances, the Special Revenue Funds listed in the previous sentence may have budgets required by the grantor agency. Since Commissioners Court is not required to adopt a budget for these funds, there are no budgetary comparison schedules presented. All annual appropriations lapse at fiscal year-end.

Annually all departments of the County submit requests for appropriations to the County Auditor, who serves as the Budget Officer. The County Auditor reviews the requests, prepares the revenue estimates, and makes their recommendations to the Commissioners Court. Through budget workshops a proposed budget is created, which must be voted on by Commissioners Court and filed with the County Clerk. Within ten calendar days after the preliminary budget is filed, the Commissioners Court holds public hearings and publishes notices based on the timetable required by state statute. Before September 30, the budget and tax rate are adopted with tax notices mailed on or after October 1.

The appropriated budget is adopted annually by fund, activity, department, and account line item. For management purposes the elected official or department head may request approval from the Commissioners Court to move appropriations between category line items.

The County uses two levels to manage capital expenditures. As a rule, all assets under $5,000 are recorded as expenditures in the supplies line item or the furniture and equipment line item. Some of these assets are brought over to the capital asset system for tracking insurance purposes, but are not depreciated. All capital purchases over $5,000 are individually identified and brought over to the capital asset system for depreciation and inclusion in capital assets under GASB 34 and their expenditure is charged to the 'capital outlay' line items within the budget.

Encumbrance accounting is utilized by governmental entities. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and purchase orders reissued during the subsequent year. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget. No encumbrances are carried over into subsequent years.

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO Capital