

Frio County, Texas
Annual Financial Report
For the Year Ended
September 30, 2024

Frio County, Texas

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Independent Auditor's Report

To the Honorable County Judge and
The Commissioners Court
Frio County, Texas

Qualified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frio County, Texas (the "County") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Road & Bridge Fund	Qualified
Aggregate Remaining Fund Information	Qualified
Custodial Funds	Qualified

Qualified Opinion on Governmental Activities, General Fund, Road & Bridge Fund, Aggregate Remaining Fund Information and Custodial Funds

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, General Fund, Road & Bridge Fund, Aggregate Remaining Fund Information and Custodial Funds of the County, as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Matter Giving Rise to Qualified Opinion on the Custodial Funds

As indicated in the Schedule of Findings on page 53, Custodial funds' daily transactions and ending balances are not recorded in the general ledger and opening balances could not be reconciled to the previous years audited ending balances. The amount by which these transactions would affect the Custodial Fund activity for FY 2024 has not been determined.

Matter Giving Rise to Qualified Opinion on the Governmental Activities, General Fund, Road & Bridge Fund, Aggregate Remaining Fund Information and Custodial Funds

As of the date of our audit report we were unable to obtain responses to standard, required fraud inquiries from a member of governance. We were unable to apply alternative procedures. As a result of this matter, we were unable to determine whether any adjustments or disclosures might have been found necessary to the County's financial statements.

Emphasis of Matter – Prior Period Adjustments

As further discussed in the Note A.5. Prior Period Adjustments, prior period adjustments were necessary to correct balances from prior years. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August X, 2025 , on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Leel & Carter, P.C.

San Antonio, Texas
August 8, 2025

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

This section of Frio County, Texas' (the "County") annual financial report presents our management discussion and analysis of the County's financial performance during the year ended September 30, 2024. Please read it in conjunction with the County's financial statements, which follow this section.

Financial Highlights

- The County's total combined net position was \$47,548,578 at September 30, 2024.
- During the year, the County's expenses were \$23,435,803 which was \$909,806 greater than the \$22,525,997 in revenues for governmental activities.
- As of the close of the current fiscal year, Frio County, Texas' governmental funds reported combined ending fund balances of \$22,980,166, an increase of \$885,929 in comparison with the prior year. 100% of this total amount, is available for spending at the government's discretion (unassigned fund balance). This increase is attributable, in large part, to a increase in General Revenues – Property Taxes and careful budget management.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$12,520,851 or 84 percent of total general fund expenditures and the unassigned fund balance for the road and bridge fund was \$5,434,896 or 111 percent of total road and bridge fund expenditures.
- Frio County, Texas' total liabilities decreased by \$1,382,129 (292 percent) during the current fiscal year. The key factor in this decrease was the decrease in Net Pension Liability (Asset).

Overview of the Financial Statements

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) required supplemental information.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources' measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 regarding interfund activity, payables, and receivables.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets contrasted with budgetary decisions should 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 net assets changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, justice system, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: Governmental Funds and Fiduciary Funds.

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

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

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

The County maintains 18 individual Governmental Funds (excluding Custodial Funds), 26 Special Revenue Funds, 1 Debt Service Fund, and the General Fund. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Road and Bridge Fund which are classified as major funds. Data from the other nonmajor Governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget as a management control device during the year for the General Fund and for all Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and the Road and Bridge Fund to demonstrate compliance with the budget.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations and must ensure the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplemental information concerning the County's major funds, the General Fund and the Road and Bridge Fund, budgetary comparison schedules. Also presented is a schedule of funding progress for the County's pension plan.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

Financial Analysis of the County as a Whole

Of the County's total assets of \$48,822,516 the largest components are 1) cash and investments of \$24,995,152 or 51%, 2) receivables (net of allowance for doubtful accounts) of \$2,047,142 or 4%, 3) prepaid expenses of \$197,525 or 1% and 4) capital assets (net of accumulated depreciation) of \$21,582,697 or 44%. Capital assets are nonliquid and cannot be utilized to satisfy County obligations.

The County's assets exceeded liabilities by \$47,548,578 as of September 30, 2024.

	Governmental-Type Activities	
	2024	2023
Current and Other Assets	\$ 27,239,819	\$ 27,359,396
Capital Assets	21,582,697	23,544,908
Total Assets	48,822,516	50,904,304
Deferred Outflows of Resources	753,430	1,443,344
Current Liabilities	1,649,421	1,454,207
Long Term Liabilities	(1,176,263)	401,080
Total Liabilities	473,158	1,855,287
Deferred Inflows of Resources	1,554,210	2,025,243
Net Position:		
Net Investment in Capital Assets	21,296,555	23,678,292
Restricted	-	-
Unrestricted	26,252,023	24,788,826
Total Net Position	\$ 47,548,578	\$ 48,467,118

Governmental activities decreased the County's net position by \$918,540.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

Financial Analysis of the County's Funds

General Fund Budgetary Highlights

The budget is prepared in accordance with financial policies approved by the County Auditor and the Commissioner's Court following a public hearing. The County Auditor is required by policy to present the Commissioner's Court with a balanced budget that contains a no-tax increase assumption as a starting point for budget discussions.

The budget is prepared in accordance with accounting principles generally accepted in the United State of America by the County Auditor and approved by the Commissioner's Court following a public hearing. Appropriated budgets are approved and employed as management control devise during the year. The County maintains strict budgetary controls and sets its appropriations at the line-item level for each department. Appropriation transfers may be made between line item or departments only with the approval of the Commissioner's Court.

Over the course of the year, the County revised its budget. Excess of revenues over expenditures was \$443,433 over the final budgeted amounts in the General Fund. The County's revenues were \$1,334,107 over budgeted amounts and are attributed to an increase in tax revenues for fiscal year 2024.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

Capital Assets and Debt Administration

Capital Assets

Frio County's investment in capital assets for its governmental activities as of September 30, 2024, amounts to \$21,582,697 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

	Governmental-Type Activities	
	2024	2023
Land	262,691	262,691
Construction in Progress	1,518,606	1,518,606
Buildings and Improvements	10,949,804	10,520,351
Machinery and Equipment	13,805,122	13,084,472
Infrastructure	56,621,672	56,621,672
Less: Accumulated Depreciation	(61,575,198)	(58,462,884)
Total Capital Assets	<u>\$ 21,582,697</u>	<u>\$ 23,544,908</u>

Additional information on the Frio County, Texas' capital assets can be found in Note E on the notes to the financial statements.

Long Term Debt

At the end of the current fiscal year, Frio County, Texas had the following long term debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities						
Notes Payable	\$ 423,314	\$ -	\$ (137,172)	\$ 286,142	\$ 141,068	\$ 145,074
Grand Total	<u>\$ 423,314</u>	<u>\$ -</u>	<u>\$ (137,172)</u>	<u>\$ 286,142</u>	<u>\$ 141,068</u>	<u>\$ 145,074</u>

Frio County, Texas' total long-term debt decreased by \$137,172 during the current fiscal year. The key factor in this decrease was the payment of \$137,172 in notes payable.

Additional information on the Frio County, Texas' long-term debt can be found in Note F on the notes to the financial statements.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2024

(Continued)

Economic Factors and Next Year's Budget and Rates

The annual budget is developed to provide efficient, effective, and economic uses of the County's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources, and establish its priorities.

The Commissioner's Court adopted the County's 2024-2025 budgets on September 10, 2024. The budget was adopted based on estimated balances that would be available at the end of the fiscal year 2024 and estimated revenues to be received in the fiscal year 2024. The total available resources for all funds for the fiscal year 2024 are \$31,479,504.

For 2024-2025, the property tax rate is \$0.6200 of \$100 assessed taxable valuation. Tax revenues are budgeted to increase, due to new property added to the tax roll.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor at (830) 334-0000.

Frio County, Texas
Statement of Net Position
September 30, 2024

	Primary Government
	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 23,305,152
Investments	1,690,000
Receivables:	
Ad Valorem Taxes - Net of Allowance	1,932,392
Due from Other Governments	34,467
Due from Custodial Funds	80,283
Prepaid Expenses	197,525
Capital Assets:	
Land	262,691
Construction in Progress	1,518,606
Building and Improvements	10,949,804
Equipment	13,805,122
Infrastructure	56,621,672
Accumulated Depreciation	(61,575,198)
Total assets	48,822,516
Deferred Outflow related to Pension Plan	679,049
Deferred Outflow related to OPEB Plan	74,381
Total Deferred Outflow related to Pension & OPEB Plans	753,430
Liabilities	
Accounts Payable	1,084,413
Accrued Wages & Related Payable	362,242
Due to Other Governments	8,459
Due to Custodial Funds	23,006
Compensated Absences Payable	153,168
Due to Others	18,133
Non-Current Liabilities	
Due Within One Year	141,068
Due in More Than One Year	
Notes Payable	145,074
Net Pension Liability (Asset)	(1,818,486)
Net OPEB Liability	356,081
Total liabilities	473,158
Deferred Inflow related to Unearned Grant Revenue	940,961
Deferred Inflow related to Pension Plan	533,499
Deferred Inflow related to OPEB Plan	79,750
Deferred Inflows related to Pension	1,554,210
Net Position	
Invested in Capital Assets - Net of Related Debt	21,296,555
Unrestricted	26,252,023
Total Net Position	\$ 47,548,578

The accompanying notes are an integral part of this statement.

Frio County, Texas
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Government Activities				
General Administration	\$ 2,732,597	\$ 183,622	\$ 548,527	\$ (2,000,448)
Judicial	1,399,815	94,063	-	(1,305,752)
Elections	265,760	17,858	-	(247,902)
Financial Administration	1,091,863	73,370	-	(1,018,493)
Public Facilities	3,158,981	212,274	-	(2,946,707)
Public Safety	5,286,983	355,269	735,664	(4,196,050)
Maintenance and Operations	6,090,665	409,274	106,802	(5,574,589)
Health and Welfare	683,436	45,925	261,803	(375,708)
Conservation - Agriculture	158,739	10,667	-	(148,072)
Corrections	332,077	22,315	-	(309,762)
Administration	347,498	23,351	-	(324,147)
Infrastructure	1,887,389	126,827	462,030	(1,298,532)
Total Governmental Activities	<u>\$ 23,435,803</u>	<u>\$ 1,574,813</u>	<u>\$ 2,114,826</u>	<u>\$ (19,746,164)</u>
General Revenues:				
Taxes				17,862,700
Interest				322,352
Miscellaneous				651,304
Total General Revenues				<u>18,836,356</u>
Increase in Net Position				(909,808)
Net Position at beginning of year				48,467,118
Prior period Adjustment				<u>(8,732)</u>
Net Position at end of year				<u>\$ 47,548,578</u>

The accompanying notes are an integral part of this statement.

Frio County, Texas

Balance Sheet - Governmental Funds

September 30, 2023

	General Fund	Road Bridge Fund	Aggregate Remaining Non Major Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 12,255,461	\$ 5,399,298	\$ 5,650,393	\$ 23,305,152
Investments	1,000,000	525,000	165,000	1,690,000
Receivables:				
Ad Valorem Taxes - Net of Allowance	1,345,244	398,905	188,243	1,932,392
Due from Other Governments	1,092	19,540	13,835	34,467
Due from Other Funds	-	-	-	-
Due from Custodial Funds	36,634	30,314	13,335	80,283
Due from Others	-	-	-	-
Prepaid Expenditures	197,491	34	-	197,525
Total Assets	<u>14,835,922</u>	<u>6,373,091</u>	<u>6,030,806</u>	<u>27,239,819</u>
Liabilities				
Accounts Payable	396,219	567,420	120,774	1,084,413
Accrued Wages & Related Payables	362,242	-	-	362,242
Due to Other Governments	8,459	-	-	8,459
Due to Other Funds	-	-	-	-
Due to Custodial Funds	23,006	-	-	23,006
Due to Others	8,470	-	9,663	18,133
Total Liabilities	<u>798,396</u>	<u>567,420</u>	<u>130,437</u>	<u>1,496,253</u>
Deferred Inflows of Resources				
Unearned Grant Funds	175,000	-	765,961	940,961
Unavailable Revenue _ Property Taxes	1,341,675	370,775	109,989	1,822,439
Total Deferred Inflows of Resources	<u>1,516,675</u>	<u>370,775</u>	<u>875,950</u>	<u>2,763,400</u>
Fund Balances				
Fund Balances				
Other Assigned	-	-	-	-
Unreserved:				
Unassigned	12,520,851	5,434,896	5,024,419	22,980,166
Total Fund Balances	<u>12,520,851</u>	<u>5,434,896</u>	<u>5,024,419</u>	<u>22,980,166</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 14,835,922</u>	<u>\$ 6,373,091</u>	<u>\$ 6,030,806</u>	<u>\$ 27,239,819</u>

The accompanying notes are an integral part of this statement.

Frio County, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

September 30, 2024

Total Fund Balances- Governmental Funds	\$ 22,980,166
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	82,007,792
Accumulated depreciation for capital assets recorded in governmental activities are not reported in the funds	(58,462,884)
Long term debt are recorded for governmental activities but not for the funds (Including Countys proportionate share of the TCDRS pension & OPEB plans activity)	110,362
Property taxes receivable not available to pay current period's expenditures are deferred in the funds	1,822,439
Compensated absences are not reported as expenses in the statement of activities	(18,518)
Capital additions and long term debt payments are not reported as expenses in the statement of activities	1,287,275
Depreciation of capital assets used for governmental activities is not reported in the funds	(3,112,314)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include reclassifying deferred revenues, eliminating interfund transactions, reclassifying the proceeds of bond sales and related costs as an net increase in bonds payable and recognizing the liabilities associated with maturing long term debt and interest, and recongizing current year pension & OPEB activity. The net effect is to increase(decrease) net position	934,260
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 47,548,578</u>

The accompanying notes are an integral part of this statement.

Frio County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2023

	General Fund	Road and Bridge Fund	Aggregate Remaining Non Major Funds	Total Governmental Funds
Revenues				
Taxes	\$ 13,785,352	\$ 3,537,114	\$ 1,435,406	\$ 18,757,872
Licenses and Permits	-	462,465	-	462,465
Federal Grants	-	-	896,358	896,358
State Grants	-	106,802	563,139	669,941
Intergovernmental	48,536	103,666	396,325	548,527
Charges for Services	224,535	-	3,046	227,581
Fines and Forfeitures	344,542	167,473	313,550	825,565
Interest	185,641	95,475	41,236	322,352
Tobacco settlement	8,210	-	-	8,210
Jail Revenues	59,202	-	-	59,202
Miscellaneous	624,107	18,987	-	643,094
Total Revenues	15,280,125	4,491,982	3,649,060	23,421,167
Expenditures				
Current:				
General Administration	2,023,121	-	805,571	2,828,692
Judicial	1,445,477	-	1,097	1,446,574
Elections	279,631	-	-	279,631
Financial Administration	1,144,561	-	-	1,144,561
Public Facilities	3,185,846	-	-	3,185,846
Public Safety	5,755,388	-	503,112	6,258,500
Maintenance and Operations	-	4,918,286	965,138	5,883,424
Health and Welfare	94,938	-	507,997	602,935
Conservation - Agriculture	164,303	-	-	164,303
Corrections	373,026	-	-	373,026
Administration	370,401	-	-	370,401
Total Expenditures	14,836,692	4,918,286	2,782,915	22,537,893
Excess (deficiency) of revenues over (under) expenditures	443,433	(426,304)	866,145	883,274
Other Financing Sources				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net changes in fund balances	443,433	(426,304)	866,145	883,274
Fund balances at beginning of	12,099,902	5,861,200	4,133,135	22,094,237
Prior Period Adjustment	(22,484)	-	25,139	2,655
Fund balances at end of year	\$ 12,520,851	\$ 5,434,896	\$ 5,024,419	\$ 22,980,166

The accompanying notes are an integral part of this statement.

Frio County, Texas
Reconciliation of Statement of Revenues, Expenditures, And
Changes in Fund Balances to the Statement of Activities

September 30, 2024

Net Changes in Fund Balances - Total Governmental Funds	\$ 883,274
Amounts reported for governmental activities in the statement of activities are different because:	
Compensated absences are not reported as expenses in the statement of activities	(18,518)
Capital additions and long term debt payments are not reported as expenses in the statement of activities	1,287,275
Depreciation of capital assets used for governmental activities is not reported in the funds	(3,112,314)
Changes in property taxes receivable not available to pay for current period's expenditures are deferred in the funds	(363,700)
Current year changes due to GASB 68 (Pension Plan Activity)	954,280
Current year changes due to GASB 75 (OPEB Plan Activity)	(8,633)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include reclassifying taxes collected from prior years levies from tax revenues, reclassifying the proceeds of bond sales and related costs as an net increase in bonds payable and recognizing the liabilities associated with maturing long term debt and interest. The net effect is to increase(decrease) net position	<u>(531,472)</u>
Net Changes in Net Position - Statement of Activities	<u>\$ (909,808)</u>

The accompanying notes are an integral part of this statement.

Frio County, Texas

Statement of Fiduciary Net Position - Custodial Funds

September 30, 2024

Assets

Cash and Cash Equivalents	\$ 1,864,990
Due from Other Funds	-
Due from Others	-
Restricted Cash	<u>205,126</u>

Total Assets

2,070,116

Liabilities

Payable to State	-
Due to Other Funds	-
Due to Others	<u>2,070,116</u>

Total Liabilities

\$ 2,070,116

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A- Summary of Significant Accounting Policies

The accounting and reporting policies of Frio County, Texas (the "County") reflected in the accompanying 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*. The 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, and implemented by the County in fiscal year 2004. The most significant accounting and reporting policies of the County are described in the following notes to financial statements:

The County was organized in 1871. The County operates under a county judge/commissioners court type government and provides the following services throughout the county: public safety (ambulance and law enforcement), maintenance and operations, health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

1. The Reporting Entity

The County considered the guidelines specified by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and GASB Statement No.61, when determining which entities to include in the accompanying basic financial statements. Under these guidelines, the reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and any organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the County's basic financial statements to be misleading or incomplete. It has been determined the reporting entity of the County, effective for the year ended September 30, 2024, includes all of the funds and account groups of the County.

The only other entity that was considered for inclusion in the reporting entity of the County was Frio County Appraisal County (the "Appraisal District"). The Appraisal District was created by state statute to appraise property in the County. It is governed by a publicly elected Board of Directors. The managers of the Appraisal County are responsible to the Board of Directors. This entity is responsible for its own fiscal matters and debt. Consequently, since the Appraisal County is not subject to oversight by the Commissioner's Court and is responsible for its own fiscal matters, the Appraisal County is not included within the scope of these financial statements.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

2. Government-Wide and Fund Financial Statements

The *government-wide financial statements* include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) 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 and Fiduciary Funds even though the latter are excluded from the government-wide financial statements. The General Fund and Road and Bridge Fund meet the criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue and Debt Service Funds. The combined amounts for these funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Revenues are classified as *program revenues* and *general revenues*. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenues include all taxes and grants not restricted to specific programs and interest.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 deferred revenue. Property taxes which were levied prior to September 30, 2024, and became due October 1, 2024 have been assessed to finance the budget of the fiscal year beginning October 1, 2024 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statements at September 30, 2024.

Expenditures generally are recorded when a liability is incurred; however, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major Governmental Funds:

General Fund - 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, and intergovernmental revenues. Primary expenditures are for general administration, public safety, public facilities, welfare, and judicial.

Road and Bridge Fund - The Road and Bridge Fund is used to account for the revenues restricted for the funding of road repairs and improvements and all related expenditures related to the County's roads.

Other fund type includes a Fiduciary Fund which is considered as a nonmajor fund. Nonmajor funds include Special Revenue Funds (other than Road and Bridge) and Debt Service Funds.

Fiduciary Fund level financial statements include Fiduciary Funds which are classified as Custodial Funds. The County has only Custodial Funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds. Custodial Funds do not involve a formal trust agreement. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

4. Budget and Budgetary Accounting

Budgets are adopted for the General Fund and all Special Revenue Funds. The budget is prepared in accordance with accounting principles generally accepted in the United States of America by each department.

Amendments are made during the year on approval by the Commissioner's Court. Expenditure amendments can be made as long as the final amended budget figures do not exceed the County Auditor's estimated revenue and available cash balances. The final amended budget is used in this report. Appropriations for annually budgeted funds lapse at year-end.

The Agency Funds have not been budgeted by the County, as these funds are all custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

5. Prior Period Adjustment

Prior period adjustments of \$2,655 were made to the fund level financial statements in fiscal year 2024 to record un-adopted prior year adjustments to the general fund and aggregate remaining fund, and for (\$8,732) in government wide financial statement to correct prior pension activity.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

6. Cash and Investments

The County's total book balance of deposits was \$27,001,622. As of September 30, 2024, the government's bank balance of \$29,143,915 at September 30, 2024 was covered by federal depository or by pledged collateral securities held by the County's bank in the County's name. Such total collateralization and insurance coverage are required by state law. Of the \$29,143,915 in bank deposits \$1,690,000 consisted of non-negotiable certificates of deposits (CDs) whose original maturity is more than 3 months and \$27,353,908 in demand deposits. The CDs are insurable bank deposits, classified as Investments for Financial Statement Reporting purposes. The following is a summary of coverage at September 30, 2024:

Amount insured by Federal Deposit Insurance Corporation ("FDIC")	\$ 250,000
Amount collateralized with securities held by the trust department Of the County's bank in the County's name	<u>41,466,266</u>
Total	\$ <u>41,716,266</u>

State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt securities of the United States, and fully collateralized repurchase agreements. The repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and which requires the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the County. Investments in security repurchase agreements may be made only with state or national banks domiciled in the state of Texas with which the County has signed master repurchase agreements. The County did not have any repurchase agreements at September 30, 2024.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1: Deposits which are insured or collateralized with securities held by the County or by its agent in the County's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3: Deposits which are not collateralized or insured.

Based on these three levels of risk at September 30, 2024, all of the County's cash deposits are classified as category 1.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

7. Allowance for Doubtful Accounts – Delinquent Taxes

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when the County believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by the County and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for doubtful accounts as of September 30, 2024 is \$146,079.

8. Compensated Absences

Vacation leave benefits are accrued by County employees according to guidelines set out in the County's personnel policy.

The County's policy allows for accumulation of sick leave but does not provide for payment of sick leave accruals. Accordingly, since such accumulated amounts are non vesting, unused sick leave was not accrued in the financial statements.

Employees are allowed 10 days of vacation leave annually for years of service of 10 years or less and 15 days for years of service in excess of 10 years, and are paid for any unused vacation leave upon termination of employment. Accumulated vacation benefits are recorded as obligations in the general long-term debt account group since these amounts are not expected to be paid from currently available resources.

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered
- Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements in the amount of \$153,168 for year-end September 30, 2024.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note A - Summary of Significant Accounting Policies (continued)

9. Use of Estimates

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

10. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. Nonrecurring or nonroutine transfers of equity between funds are reported as additions to or deductions from the fund balance of Governmental Funds. All other legally authorized transfers are treated as operating transfers and are included in the schedule of revenues, expenditures, and changes of fund balances of the Governmental Funds. Interfund balances are eliminated for Government Wide reporting purposes.

11. Capital Assets - Primary Government

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5
Infrastructure	30

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note B - Fund Balance

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

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

The Commissioners Court establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). As of September 30, 2024, the County's fund balances are Unassigned. The County's Policy is to consider unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted (committee, assigned or unassigned) classifications could be used. The County's policy is to apply unrestricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net position are available.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note C - Property Taxes

1. Levy and Collection

Property is appraised and lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal review, and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. The County bills and collects its own property taxes. Property taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes become past due February 1 of each year and are subject to interest and penalty charges. The assessed value for the tax roll of October 1, 2023 was \$2,641,633,270.

Collections of the current year's levy are reported as current collections if received by June 30 (within nine months of the October 1 levy date). Collections received thereafter are reported as delinquent collections.

The County's taxes on real property are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. The exception is homestead property belonging to persons 65 years of age or older. Although the County makes little effort to collect taxes on property not otherwise collected, the taxes are generally paid when there is a sale or transfer of the title on the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred until instituted within four years from the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

2. Tax Rates

The Texas Constitution (Article VUI, Section 9) imposes a limit of \$0.80 per \$100 assessed valuation for operating fund purposes (jury, general, permanent improvement, and road and bridge funds), including debt service for courthouse and jail bonds and certificates of indebtedness/obligation against such County funds.

The 2024 tax rate for the October 1, 2023 levy was \$0.4147 for the General Fund, \$0.1295 for the Road and Bridge Fund, \$0.0433 for the Farm-to-Market and Lateral Road Fund, \$0.0058 for the Interest & Sinking Fund, and \$0.0035 for the Tax Increment Fund for a total of \$0.5968 per \$100 of assessed valuation.

3. Taxes Receivable and Advance Tax Collections

At September 30, all taxes receivable are delinquent and reported in the assets section of the various balance sheets where applicable. Since the County begins to collect taxes for the subsequent calendar year in October, there are no advance tax collections at September 30.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note C - Property Taxes (continued)

3. Taxes Receivable and Advance Tax Collections (continued)

	General Fund	Road and Bridge Fund	Aggregate Remaining Non Major Funds	Total
<u>Receivables</u>				
Taxes	1,458,617	422,231	197,623	2,078,471
Gross Receivables	1,458,617	422,231	197,623	2,078,471
Less: Allowance for Uncollectibles	113,373	23,326	9,380	146,079
Net Total Receivables	1,345,244	398,905	188,243	1,932,392

Allowances for uncollectible tax receivables are: General Fund - \$113,373, Road and Bridge Fund -\$23,326, and Lateral Road Fund - \$9,380. These allowances are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

4. Appraisal County

The Texas Legislature in 1979 adopted a comprehensive property tax code (the "Code") which established a county-wide appraisal County and an Appraisal Review Board in each county in the state. The Appraisal County is responsible for the recording and appraisal of property for all taxing units in the County.

The Appraisal County is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and tax units, including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, take legal action. Under the Code, the Commissioner's Court will continue to set County tax rates on property.

Note D-1 – Disaggregated Receivable Balances

Receivables balances as of year-end consisted of due from other governments of \$34,467 which were miscellaneous state grants and payroll deposits.

Note D-2 – Deferred Outflows and Inflows and of Resources

The \$753,430 in deferred outflows and \$613,249 in deferred inflows are related to the fiscal year 2024 activity of the county's portion of the retirement system. In addition, the \$940,961 in deferred inflows is unearned grant revenue. The \$1,822,439 in deferred inflows (on the fund level basis financial statements) is delinquent property tax revenue as of the end of fiscal year 2024.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note E - Capital Assets

Capital asset activity for the year ended September 30, 2024 was as follows:

	Balance at October 1, 2023	Increases	Decreases	Balance at September 30, 2024
Governmental activities:				
Capital assets not being depreciated:				
Land	\$262,691	-	-	\$ 262,691
Construction in Progress	1,518,606	-	-	1,518,606
Total capital assets not being depreciated:	1,781,297	-	-	1,781,297
Capital assets being depreciated:				
Buildings and Improvements	10,520,351	429,453	-	10,949,804
Machinery, Equipment and Vehicles	13,084,472	720,650	-	13,805,122
Infrastructure	56,621,672	-	-	56,621,672
Total Depreciable Assets	80,226,495	1,150,103	-	81,376,598
Less: Accumulated depreciation for:				
Buildings and Improvements	(5,437,365)	(238,451)	-	(5,675,816)
Machinery, Equipment and Vehicles	(9,615,539)	(986,474)	-	(10,602,013)
Infrastructure	(43,409,980)	(1,887,389)	-	(45,297,369)
Total Accumulated Depreciation	(58,462,884)	(3,112,314)	-	(61,575,198)
Total Capital Assets Depreciated, Net	21,763,611	(1,962,211)	-	19,801,400
Governmental Activities capital assets, Net	\$ 23,544,908	\$ (1,962,211)	\$ -	\$ 21,582,697

Depreciation expense for the year ended September 30, 2024 was charged to the functions of the primary government as follows:

Governmental Activities:

General administration	\$ 5,001
Judicial	19,415
Public safety	323,972
Maintenance and operations	756,927
Health and Welfare	119,610
Infrastructure	<u>1,887,389</u>
Total depreciation expense - governmental activities	<u>\$ 3,112,314</u>

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note F- Long Term Liabilities

The government has entered into a public property finance act contract agreement as the issuer for financing the acquisition of 10 police vehicles.

The annual requirements to amortize all long-term liabilities and obligations outstanding as of September 30, 2024 including interest payments, are as follows:

Year	Governmental Activities	
Ending	Principal	Interest
December 31,		
2025	141,068	8,126
2026	145,074	4,120
2027	-	-
2028	-	-
2029	-	-
Totals	286,142	12,246

Changes in long-term liabilities:

	Beginning			Ending	Due Within	Due After
	Balance	Additions	Reductions	Balance	One Year	One Year
<u>Governmental Activities:</u>						
Note Payable	423,314	-	(137,172)	286,142	141,068	145,074
Total Government Long Term Debt	423,314	-	(137,172)	286,142	141,068	145,074

Note G - Interfund Transfers, Receivables, and Payables

Interfund receivables and payables at September 30, 2024 consisted of the following:

		Interfund		Interfund
		Payable		Receivable
General Fund		\$ 23,006		\$ 36,634
Road & Bridge Fund		-		30,314
Aggregate Remaining Non Major Funds		-		13,335
		\$ 23,006		\$ 80,283

The purpose of the interfunds are temporary borrowings amongst the funds, which are expected to be paid back within one year.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note H - Compensated Absences

Compensated absences are made up of time earned by employees for vacation that would be paid if the employee leaves the County. The following shows the change in compensated absences and the balance due, which is all current, at September 30, 2024:

	<u>Governmental Activities</u>
Beginning balance at October 1, 2023	\$ 134,650
Changes	<u>18,518</u>
Ending balance at September 30, 2024	<u><u>\$ 153,168</u></u>

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan
Plan Description

The County provides retirement, disability, and death benefits for all of its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County and County Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 869 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available online www.tcdrs.org.

The plan provisions are adopted and may be amended by the governing body of the County within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 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 deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	180
Active employees	161

Funding Policy

The County has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 8.89% of covered payroll for the months of the calendar year in 2023, and 8.89% of covered payroll for the months of the calendar year in 2024.

The deposit rate payable by all employee members for the calendar year 2024 is 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan(cont.)

Methodology For Determining Employer Contributions Rates

The TCDRS board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

1. Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
2. Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
3. Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Brief Description of Benefit Terms

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability, and survivor benefits.
- 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

Net Pension Liability / (Asset)

	<u>December 31, 2023</u>
Total pension liability	\$ 26,310,181
Fiduciary net position	28,128,667
Net pension liability / (asset)	(1,818,486)
Fiduciary net position as a % of total pension liability	106.91%
Pensionable covered payroll	8,129,087
Net pension liability / (asset) as a % of covered payroll	-22.37%

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan(cont.)

Actuarial Assumptions

The County's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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.

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	3.8 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.70% 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, Both projected with 1--% of the MP-2021 Ultimate scale after 2010
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. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule Of Employer Contributions	2015: Employer contributions reflect that a 2% flat COLA was adopted. 2016: Employer contributions reflect that a 1% flat COLA was adopted. 2017: New annuity purchase rates were reflected for benefits earned after 2017. 2018-2023: No changes in plan provisions were reflected in the schedule.

Other Key Actuarial Assumptions

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Long- Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan(cont.)

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
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%	2.35%
Strategic Credit	FTSE High-Yield Cash Pay Capped Index	9.00%	3.65%
Direct Lending	S&P /LTSA Leverage Loan Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

(1) Target asset allocation adopted at the March 2024 TCERS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 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.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan (cont.)

Depletion of Plan Assets/ GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) Pension plan assets up to that point are expected to be invested using a strategy to achieve the long term rate of return, calculated using the long term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the County & District bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt County & District bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

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

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan (cont.)

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2022	\$ 25,045,365	\$ 25,381,283	\$ (335,918)
Changes for the year:			-
Service Cost	976,142	-	976,142
Interest on total pension liability	1,928,127	-	1,928,127
Effect of plan changes	-	-	-
Effect on economic/demographic gains or losses	(312,326)	-	(312,326)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(210,412)	(210,412)	-
Benefit payments	(1,116,715)	(1,116,715)	-
Administrative expense	-	(14,688)	14,688
Member contributions	-	569,036	(569,036)
Net investment income	-	2,789,080	(2,789,080)
Employer contributions	-	722,675	(722,675)
Other	-	8,408	(8,408)
Net Changes	1,264,816	2,747,384	(1,482,568)
Balance at December 31, 2023	\$ 26,310,181	\$ 28,128,667	\$ (1,818,486)

Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 29,706,029	\$ 26,310,181	\$ 23,459,161
Fiduciary net position	\$ 28,128,667	\$ 28,128,667	\$ 28,128,667
Net pension liability / (asset)	\$ 1,577,362	\$ (1,818,486)	\$ (4,669,506)

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note I - Pension Plan (cont.)

Pension Expense/(Income)

	<u>January 1, 2023 to December 31, 2023</u>
Service cost	\$ 976,142
Interest on total pension liability	1,928,127
Effect of plan changes	-
Administrative expenses	14,688
Member contributions	(569,036)
Expected investment return net of investment expenses	(1,927,422)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(433,221)
Recognition of assumption changes or inputs	303,628
Recognition of investments gains or losses	(464,272)
Other	(8,408)
Pension expense / (income)	<u>\$ (179,774)</u>

Deferred Inflows / Outflows of Resources

As of December 31, 2023, the deferred inflows and outflows of resources are as follows

	<u>Deferred Inflows Of Resources</u>	<u>Deferred Outflows Of Resources</u>
Differences Between Expected and Actual Experience	\$ 533,499	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	-	124,341
Contributions paid to TCDRS subsequent to the Measurement Date	-	554,708
Totals	<u>\$ 533,499</u>	<u>\$ 679,049</u>

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

Year Ended

December 31:

2024	(400,868)
2025	(310,840)
2026	474,882
2027	(172,333)
2028	-

Thereafter -

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB)

Plan description

- a. Frio County participates in the retiree Group Term Life Program of the Texas County and District (TCDRS) which is statewide, multiple-employer, public employee retirement system.
- b. A brief description of the benefit terms:
 - 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB Plan.
 - 2) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees of employers that have elected participation in the retiree GTL program.
 - 3) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 - 4) No future increases are assumed in the \$5,000 benefit amount.
 - 5) Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 of each year.
- c. Membership information is shown in the chart below.
- d. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB Statement 75, as the assets of the GTL fund can be used to pay GTL benefits which are not a part of the OPEB Plan.
- e. Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out (or opt into) coverage as of January 1 each year. The county's contribution rate for the entire GTL program is calculated on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Membership Information

	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Number of inactive employees entitled to but not yet receiving benefits (i)	42	38
Number of active employees	149	161
Average age of active employees	44.44	46.05
Average length of service in years for active employees	10.18	10.10
Inactive Employees Receiving Benefits (i)	-	-
Number of Benefit Recipients	62	67

(i) "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

	Changes in Total OPEB Liability
Balance at December 31, 2022	\$ 313,685
Changes for the year:	
Service Cost	11,504
Interest on total OPEB liability	11,917
Changes of benefit terms	-
Effect on economic/demographic experience	2,473
Effect of assumptions changes or inputs	26,257
Benefit payments	(9,755)
Other	-
Net Changes	42,396
Balance at December 31, 2023	\$ 356,081

The total OPEB liability as of December 31, 2023, was \$356,081 and was determined by an annual valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Discount Rate	3.72%	3.26%
Long-Term expected rate of return, net of investment expense	Does not apply	Does not apply
Municipal Bond Rate	3.72%	3.26%

All actuarial assumptions that the total OPEB liability as December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 75. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	Beginning Date	Ending Date
Valuation Date	December 31, 2022	December 31, 2023
Measurement Date	December 31, 2022	December 31, 2023
Employer's fiscal Year	October 1, 2023	September 30, 2024

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Note, salary increases do not affect benefits but are used in the allocation of costs under the actuarial cost method.
Investment Rate of Return (Discount rate)	3.26% 20 Year Bond GO index published by the bondbuyer.com as of December 28, 2023.
Cost of Living Adjustment	Does not apply
Disability	The rates of disability used in this valuation were based on a custom table based on TCDRS experience.
Mortality	
Depositing members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries	
Non-depositing members	135% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
Disabled Retirees	
	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement	Members eligible for service retirement are assumed to retire at rates based on TCDRS experience as compiled in its customized Table.

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

GASB Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.26% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2023.

Employer OPEB Contributions to the Plan

Employers in the TCDRS Group Term Life (GTL) Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree covered are included under GASB 75. For GASB 75 purposes, the OPEB plan is not a cost sharing plan as the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions.

2023 Employer OPEB Contributions and Benefit Payments

The following shows a breakdown of the employer's contributions to the GTL program for the calendar year 2023. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75, so there should be no change in how these amounts are reported.

Coverage Type	2023 GTL Rate	Amount	Financial Reporting
Active Member GTL Benefit	0.14%	\$11,381	No Change from prior year
Retiree GTL Benefit	0.12%	\$ 9,755	GASB 75

Employer OPEB Contributions made Subsequent to Measurement Date

Employer OPEB contributions made in the fiscal year, but subsequent to the measurement date of December 31, 2023 should be reflected as a deferred outflow. As previously noted, only contributions to the GTL program for retiree coverage should be included under GASB 75. Therefore, once the total GTL contributions made subsequent to the measurement date have been determined, this amount should be multiplied by the portion attributable to retiree coverage to determine the OPEB contributions made subsequent to the measurement date that should be reported under GASB 75. This proportion is 50.00000%, allocated as follows:

Coverage Type	2024 GTL Rate	Proportion	Financial Reporting
Active Member GTL Benefit	0.12%	50.00000%	No Change from prior year
Retiree GTL Benefit	0.12%	50.00000%	GASB 75

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.26%, as well as what the Frio County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown:

	1 % Decrease	Current Discount Rate	1% Increase
	2.26%	3.26%	4.26%
Total OPEB Liability	\$425,029	\$356,081	\$302,569

	<u>January 1, 2023 to December 31, 2023</u>
Service cost	\$ 11,504
Interest on total OPEB liability	11,917
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	2,778
Recognition of assumption changes or inputs	3,846
Other	-
OPEB expense / (income)	<u>\$ 30,045</u>

The total OPEB Expense for September 30, 2024 was \$30,045.

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows Of Resources</u>	<u>Deferred Outflows Of Resources</u>
Differences Between Expected and Actual Experience	\$ 3,591	\$ 9,086
Changes in Assumptions	76,159	50,319
Contributions paid to TCDRS subsequent to the Measurement Date	-	14,976
Totals	<u>\$ 79,750</u>	<u>\$ 74,381</u>

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

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

Year Ended	
December 31:	
2024 \$	5,625
2025	(3,210)
2026	(3,776)
2027	(13,774)
2028	4,790
Thereafter	-

Contributions subsequent to the measurement date of \$14,976 reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024.

Note K - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. In 1991, the County entered in a contractual agreement with the Texas Association of Counties, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: public officials' liability, automobile liability, physical damages, general liability, boiler and machinery, property coverage, workers' compensation, and law enforcement liability. The agreement for formation of the Texas Association of Counties provides that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier.

The County continues to carry commercial insurance for other risks of loss including airport premises and product liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement requires the pool to be self-sustaining. It is not possible to estimate the amount of any loss for which the County might be liable.

The Texas Association of Counties has published its own financial report for the year ended September 30, 2024, and it can be obtained from that agency.

Note L- Subsequent Events

Management has evaluated subsequent events of Frio County through August 8, 2025 (the date the financial statements were available to be issued).

Frio County, Texas
Notes to Financial Statements
September 30, 2024

Note M - Contingencies

Litigation

- According to the attorney for Frio County, as of the date of this audit report, the County is engaged in discussions with a contractor to resolve issues pertaining to delay damages and payment of subcontractors, and this matter should not impair the financial condition of Frio County. As this matter is currently unresolved, any potential effects on the financial statements of the County are not known.
- According to the Frio County Attorney, there are pending criminal matters against Frio County officials, however the County is not involved in their prosecution or defense. As these matters are ongoing as of the date of the audit report, any potential effects on the financial statements of the County are not known.

Frio County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget to Actual - General Fund - Unaudited

Year Ended September 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,463,986	\$ 12,463,986	\$ 13,785,352	\$ 1,321,366
Licenses and permits	-	-	-	-
Federal grants	-	-	-	-
State grants	-	-	-	-
Intergovernmental	90,916	90,916	48,536	(42,380)
Charges for services	210,875	210,875	224,535	13,660
Fines and forfeitures	396,000	396,000	344,542	(51,458)
Interest	88,000	88,000	185,641	97,641
Tobacco settlement	2,000	2,000	8,210	6,210
Jail Revenues	100,500	100,500	59,202	(41,298)
Miscellaneous	593,741	593,741	624,107	30,366
Total revenues	13,946,018	13,946,018	15,280,125	1,334,107
Expenditures				
Current:				
General administration	2,552,936	2,552,936	2,023,121	529,815
Judicial	1,505,500	1,505,500	1,445,477	60,023
Elections	316,760	316,760	279,631	37,129
Financial administration	1,202,611	1,202,611	1,144,561	58,050
Public facilities	3,453,940	3,453,940	3,185,846	268,094
Public safety	6,054,011	6,054,011	5,755,388	298,623
Health and welfare	94,968	94,968	94,938	30
Conservation - agriculture	169,603	169,603	164,303	5,300
Corrections	383,497	383,497	373,026	10,471
Administration	387,031	387,031	370,401	16,630
Total expenditures	16,120,857	16,120,857	14,836,692	1,284,165
Excess (deficiency) of revenues over (under) expenditures	(2,174,839)	(2,174,839)	443,433	2,618,272
Other Financing Sources				
Operating transfers in	1,974,840	1,974,840	-	(1,974,840)
Operating transfers out	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Total other financing sources	1,974,840	1,974,840	-	(1,974,840)
Net changes in fund balances	(199,999)	(199,999)	443,433	643,432
Fund balances at beginning of	12,099,902	12,099,902	12,099,902	-
Prior Period Adjustment	-	-	(22,484)	(22,484)
Fund balances at end of year	11,899,903	11,899,903	\$ 12,520,851	\$ 620,948

Frio County, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Total pension liability										
Service cost	\$ 653,437	\$ 701,162	\$ 679,128	\$ 726,528	\$ 655,640	\$ 741,224	\$ 755,543	\$ 833,622	\$ 898,388	\$ 976,142
Interest on the total pension liability	1,283,865	1,343,783	1,372,832	1,514,427	1,487,434	1,597,747	1,705,313	1,804,390	1,854,551	1,928,127
Effect of plan changes	-	(1,551,506)	(57,376)	(1,394,294)	-	-	-	-	-	-
Effect of assumption changes or inputs	-	271,689	-	87,934	-	-	1,311,159	(72,485)	-	-
Effect of economic/demographic (gains) or losses	32,336	(317,939)	121,470	(314,714)	66,652	8,408	60,270	(661,730)	(598,514)	(312,326)
Benefit payments, refunds	(563,743)	(690,461)	(663,161)	(921,204)	(841,707)	(1,028,788)	(1,038,845)	(1,410,041)	(1,203,276)	(1,327,128)
Net change in total pension liability	1,405,895	(243,272)	1,452,893	(301,323)	1,368,019	1,318,591	2,793,440	493,756	951,149	1,264,815
Total pension liability - beginning	15,806,217	17,212,112	16,968,840	18,421,733	18,120,410	19,488,429	20,807,020	23,600,460	24,094,216	25,045,365
Total pension liability - ending (a)	\$ 17,212,112	\$ 16,968,840	\$ 18,421,733	\$ 18,120,410	\$ 19,488,429	\$ 20,807,020	\$ 23,600,460	\$ 24,094,216	\$ 25,045,365	\$ 26,310,180
Fiduciary net position										
Employer contributions	\$ 414,686	\$ 435,201	\$ 425,658	\$ 438,976	\$ 476,381	\$ 530,729	\$ 606,820	\$ 631,602	\$ 806,936	\$ 722,675
Member contributions	325,766	352,591	350,541	333,603	362,858	411,418	460,209	465,881	499,432	569,036
Investment income net of inv exp	909,659	(168,978)	1,067,821	2,281,879	(331,391)	2,864,216	2,087,146	4,863,318	(1,582,088)	2,789,080
Benefit payments, refunds	(563,743)	(690,461)	(663,161)	(921,204)	(841,707)	(1,028,788)	(1,038,845)	(1,410,041)	(1,203,276)	(1,327,128)
Administrative expenses	(10,782)	(10,417)	(11,625)	(11,829)	(14,009)	(15,395)	(16,321)	(14,874)	(14,874)	(14,688)
Other	(80,808)	35,146	38,418	(1,835)	1,866	(152)	2,836	(2,712)	36,943	8,408
Net change in plan fiduciary net position *	994,778	(46,918)	1,207,652	2,139,590	(346,002)	2,762,028	2,101,845	4,533,528	(1,456,927)	2,747,383
Fiduciary net position - beginning	13,491,708	14,486,486	14,439,568	15,647,220	17,786,810	17,440,808	20,202,836	22,304,681	26,838,209	25,381,282
Fiduciary net position - ending (b)	\$ 14,486,486	\$ 14,439,568	\$ 15,647,220	\$ 17,786,810	\$ 17,440,808	\$ 20,202,836	\$ 22,304,681	\$ 26,838,209	\$ 25,381,282	\$ 28,128,665
Net pension liability = (a) - (b)	\$ 2,725,626	\$ 2,529,272	\$ 2,774,513	\$ 333,600	\$ 2,047,621	\$ 604,184	\$ 1,295,779	\$ (2,743,993)	\$ (335,917)	\$ (1,818,485)
Fiduciary net position as a percentage of the total pension liability	84.16%	85.09%	84.94%	98.16%	89.49%	97.10%	94.51%	111.39%	101.34%	106.91%
Pensionable covered payroll	\$ 4,653,805	\$ 5,037,016	\$ 5,007,728	\$ 5,051,474	\$ 5,183,686	\$ 5,877,400	\$ 6,574,418	\$ 6,655,445	\$ 7,134,738	\$ 8,129,087
Net pension liability as a percentage of covered payroll	58.57%	50.21%	55.40%	6.60%	39.50%	10.28%	19.71%	-41.23%	-4.71%	-22.37%

Schedule of Employer Contributions
Texas County & District Retirement System

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Actuarially Determined Contribution	\$ 414,654	\$ 435,201	\$ 425,658	\$ 438,976	\$ 476,381	\$ 530,729	\$ 606,820	\$ 631,602	\$ 806,936	\$ 722,675
Contributions in relation to the actuarially determined contribution	414,686	435,201	425,658	438,976	476,381	530,729	606,820	631,602	806,936	722,675
Contribution Deficiency (Excess)	\$ (32)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 4,653,805	\$ 5,037,016	\$ 5,007,728	\$ 5,051,474	\$ 5,183,686	\$ 5,877,400	\$ 6,574,418	\$ 6,653,445	\$ 7,134,738	\$ 8,129,087
Contributions as a Percentage of Covered Employee Payroll	8.9%	8.6%	8.5%	8.7%	9.2%	9.0%	9.2%	9.5%	11.3%	8.9%

Frio County, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas County & District Retirement System

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Total OPEB liability							
Service cost	\$ 9,080	\$ 11,549	\$ 9,235	\$ 15,374	\$ 16,238	\$ 18,712	\$ 11,504
Interest on the total OPEB liability	9,345	9,123	10,205	9,137	8,587	8,717	11,917
Effect of plan changes	-	-	-	-	-	-	-
Effect of assump. changes or inputs	11,605	(26,828)	66,109	42,967	7,743	(108,493)	26,257
Effect of economic/demographic (gains) or losses	(4,552)	3,837	6,565	16,141	(4,162)	(2,889)	2,473
Benefit payments, refunds	(10,103)	(9,849)	(13,518)	(13,806)	(11,980)	(13,556)	(9,755)
Net change in total OPEB liability	15,375	(12,168)	78,596	69,813	16,426	(97,509)	42,396
Total OPEB liability - beginning	243,152	258,527	246,359	324,955	394,768	411,194	313,685
Total OPEB liability - ending (a)	\$ 258,527	\$ 246,359	\$ 324,955	\$ 394,768	\$ 411,194	\$ 313,685	\$ 356,081
Pensionable covered payroll							
	\$ 5,051,474	\$ 5,183,686	\$ 5,877,400	\$ 6,574,418	\$ 6,655,445	\$ 7,134,738	\$ 8,129,087
Total OPEB liability/ (asset) as a percentage of covered payroll	5.12%	4.75%	5.53%	6.00%	6.18%	4.40%	4.38%

* May be off due to rounding

Note: Only seven years of data is presented in accordance with GASBS #75, since this is the only information available that is measurable in accordance with this statement.

Frio County, Texas
Schedule of Employer Contributions - Other Post-Employment
Texas County & District Retirement System

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Actuarially Determined Contribution	\$ 10,103	\$ 9,849	\$ 13,518	\$ 13,806	\$ 11,980	\$ 13,556	\$ 9,755
Contributions in relation to the actuarially determined contribution	10,103	9,849	13,518	13,806	11,980	13,556	9,755
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 5,051,474	\$ 5,183,686	\$ 5,877,400	\$ 6,574,418	\$ 6,655,445	\$ 7,134,738	\$ 8,129,087
Contributions as a Percentage of Covered Employee Payroll	0.20%	0.19%	0.23%	0.21%	0.18%	0.19%	0.12%

Note: Only seven years of data is presented in accordance with GASBS #75, since this is the only information available that is measureable in accordance with this statement.

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Judge and Commissioner's Court
Frio County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Frio County, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which comprise the Frio County, Texas' basic financial statements, and have issued our report thereon dated August 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (Findings 2024-01, 2024-02)

Report on Compliance and Other Matters

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

Frio County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Frio County's response to the finding identified in our audit, described in the accompanying schedule of findings and questioned costs. Frio County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Seal & Carter, P.C.

San Antonio, Texas

August 8, 2025

Frio County, Texas

Summary Schedule of Findings (Financial Audit)

Year ended September 30, 2024

We consider the following to be significant deficiencies:

Finding 2024 -01 Inter fund Balances

Criteria: Interfund balances should reconcile and be adequately supported.

Inter fund balances for Fiscal year 2024 did not balance. Additionally supporting documentation for inter fund balances was not available for review, therefore inter fund balances may not be accurately stated.

We recommend inter fund balances be reconciled and accurately reflect inter fund activity in order to ensure financial reports present actual inter fund balances at period end.

Status: Corrective action is in progress in Fiscal Year 2024.

View of Responsible Official: County Auditor is in agreement; inter fund balances need to be reconciled.

Finding 2024-02 Custodial Fund accounting procedures

Criteria: The County's general ledger should reflect all financial transactions including these of the Custodial Fund.

It appears some of the Custodial funds' daily transactions and ending balances are not recorded in the general ledger. The resulting activity, related to receipts, to the County's governmental funds is recorded in the general ledger, however reconciliation of the transfers from the Custodial funds is not reflected in the general ledger.

Due to the significant amount of funds processed through these accounts we recommend the County improve controls over these funds by recording Custodial fund transactions in the general ledger on a regular and current basis as transactions occur.

Status: Corrective action is in progress in Fiscal Year 2024.

View of Responsible Official: County Auditor is in agreement; custodial funds need to be recorded in the County's general ledger.

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INDEPENDENT ACCOUNTANT'S REPORT

Ms. Crystal Marquez, Frio County Auditor
and Commissioners' Court
Frio County, Texas
Frio County Courthouse
500 E. San Antonio St.
Pearsall, Texas 78061

We have examined the Frio County, Texas' (the County) compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF Section of the 2024 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2024. Management of the County is responsible for the County's compliance with the specified requirements. Our responsibility is to express an opinion on the County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA); the standards applicable to attestation engagements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement". Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the County's compliance with specified requirements.

In our opinion, the County complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2024.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weakness in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the County's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the County's compliance requirements and not for the purpose of expressing an opinion on the internal control over specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our test disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the County complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2024. Accordingly, this report is not suitable for any other purpose.

Seal & Carter, P.C.

San Antonio, Texas
August 8, 2025

LEAL & CARTER, P.C.
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Required Communication Letter to the County Commissioners
of the Frio County, Texas

August 8, 2025

To the Honorable County Judge
The Commissioners Court
Frio, County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frio, County, Texas (the "County") as of and for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during FY 2024. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Depreciation Expense - Management's estimate of depreciation expense is based on estimated useful lives of assets using the straight line method of depreciation.
- Fair Value of Investments. Financial Institution(s) provided information is used by the County for these values.
- Allowance for uncollectible taxes are based on historical data;

We evaluated the key factors and assumptions used to develop depreciation expense and the current portion of accrued compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. (See attached)

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 8, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
- We issued two findings 2024-01& 2024-02 on page 52 in the Schedule of Findings & Questioned costs.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

With respect to supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

The information contained in this report is intended solely for the use by the County and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Seal & Carter, P.C.