

LEAL & CARTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

16011 University Oak
San Antonio, Texas 78249
Telephone: (210) 696-6206
Fax: (210) 492-6209

INDEPENDENT ACCOUNTANT'S REPORT

Ms. Crystal Marquez, County Auditor
and Commissioners' Court
Frio County, Texas

We have examined the Frio County, Texas' compliance with the Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds federal program's ("the CSLFRF federal program") requirements for the year ended September 30, 2022. The Frio County's management is responsible for the County's compliance with the specified requirements as set forth in the *2022 Compliance Supplement* for the CSLFRF federal program. 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. 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 Frio County, Texas' compliance with specified requirements.

In our opinion, the Frio County, Texas complied with the Assistance Listing 21.027 Coronavirus State and Local Fiscal Recovery Funds federal program's requirements for the year ended September 30, 2022, in all material respects.

The purpose of this report is to describe the scope of the examination engagement and provide the independent accountant's opinion and is not suitable for any other purpose.

Leal & Carter, P.C.

San Antonio, Texas
August 10, 2023

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

16011 University Oak
San Antonio, Texas 78249
Telephone: (210) 898-6206
Fax: (210) 492-6209

Required Communication Letter to the County Commissioners I of the Frio County, Texas

August 10, 2023

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, 2022. 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 October 3, 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 2022. 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:

We prepared adjusting entries for the following:

- The beginning Net Position balance reported within the Government-wide Statement of Position was adjusted upward by a net \$883,533. As explained in the Prior Period Adjustment note within the financial statement disclosures, this adjustment resulted from:
 - A \$31,143 adjustment was made to the Government Wide statements Deferred Outflow account to reconcile prior year OPEB activity in fiscal year 2022.
 - As a result of reclassifying the County's prior year's custodial account balances to those of the County's Governmental Activities, the beginning balance of the County's Governmental Activities Net Assets was increased by a net \$914,596. This reclassification consisted of previously collected and un-distributed amounts accounted for within the County's custodial funds. These custodial funds were not included within the County's prior year's financial statements. The net \$914,596 increase consists of a \$963,303 increase to the County's general fund and Road and Bridge fund and a \$48,607 decrease in other –non-major funds governmental type funds.

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 10, 2023.

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 2022-01& 2022-02 on page 50 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.

Frio County, Texas
Annual Financial Report
For the Year Ended
September 30, 2022

LEAL & CARTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SAN ANTONIO, TEXAS

Frio County, Texas
Annual Financial Report
For the Year Ended
September 30, 2022

LEAL & CARTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SAN ANTONIO, TEXAS

Frio County, Texas

Table of Contents

FINANCIAL SECTION

| | |
|---|------|
| Independent Auditor's Report..... | 1-3 |
| Management Discussion and Analysis..... | 4-11 |

BASIC FINANCIAL STATEMENTS

| | |
|----------------------------------|----|
| Statement of Net Position..... | 12 |
| Statement of Net Activities..... | 13 |

FUND FINANCIAL STATEMENTS

| | |
|--|-------|
| Balance Sheet – Governmental Funds..... | 14 |
| Reconciliation of Governmental Funds Balance Sheet – To the Statement of Net Position..... | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 16 |
| Reconciliation of Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statements of Activities..... | 17 |
| Statement of Fiduciary Position – Custodial Funds..... | 18 |
| Notes to Financial Statements..... | 19-43 |

REQUIRED SUPPLEMENTAL INFORMATION

| | |
|--|-------|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund – Unaudited..... | 44 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System..... | 45 |
| Schedule of Pension Contributions – Texas County & District Retirement System..... | 46 |
| Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County & District Retirement System..... | 47 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on Other matters Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards..... | 48-49 |
| Schedule of Findings..... | 50 |

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

16011 University Oak
San Antonio, Texas 78249-1409
Telephone : (210) 696-8206
Facsimile : (210) 492-8209

Independent Auditor's Report

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

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, 2022, 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 | Unmodified |
| General Fund | Unmodified |
| Road & Bridge Funds | Unmodified |
| American Rescue Plan Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |
| Custodial Funds | Qualified |

Qualified Opinion on Custodial Funds

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified and Unmodified 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, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2022, 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.

Unmodified Opinions on Governmental Activities, Major Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2022, 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 and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on the Custodial Funds

As indicated in the Schedule of Findings on page 50, 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.

Emphasis of Matter – Prior Period Adjustments

As further discussed in the Note 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 10, 2023 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.

Seal & Carter, P.C.

San Antonio, Texas
August 10, 2023

Frio County, Texas

Management's Discussion and Analysis (Un audited)

September 30, 2022

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, 2022. Please read it in conjunction with the County's financial statements, which follow this section.

Financial Highlights

Government-Wide Highlights

- The County's total combined net position was \$48,448,768 at September 30, 2022.
- During the year, the County's expenses were \$308,101 less than the \$19,362,736 in revenues for governmental activities.
- The total cost of the County's programs increased by \$912,880 from last year's \$18,141,755 program cost.

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.

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.

Frio County, Texas

Management's Discussion and Analysis (Un audited)

September 30, 2022

(Continued)

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.

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 30 individual Governmental Funds (excluding Custodial Funds), 25 Special Revenue Funds, 1 Debt Service Fund, and the General Fund.

Frio County, Texas

Management's Discussion and Analysis (Un audited)

September 30, 2022

(Continued)

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.

Financial Analysis of the County as a Whole

Of the County's total assets of \$52,288,803 the largest components are 1) cash and investments of \$24,121,585 or 46%, 2) receivables (net of allowance for doubtful accounts) of \$3,006,976 or 6%, 3) prepaid expenses of \$197,482 or 0% and 4) capital assets (net of accumulated depreciation) of \$24,962,760 or 48%. Capital assets are nonliquid and cannot be utilized to satisfy County obligations.

Frio County, Texas

Management's Discussion and Analysis (Un audited)

September 30, 2022

(Continued)

The County's assets exceeded liabilities by \$48,448,768 as of September 30, 2022.

| | <u>Governmental-Type Activities</u> | |
|-----------------------------|-------------------------------------|----------------------|
| | <u>2022</u> | <u>2021</u> |
| Current and Other Assets | \$ 27,326,043 | \$ 23,310,263 |
| Capital Assets | 24,962,760 | 25,740,111 |
| Total Assets | <u>52,288,803</u> | <u>49,050,374</u> |
| Deferred Outflows | 1,385,138 | 1,679,913 |
| Current Liabilities | 1,717,432 | 973,557 |
| Long Term Liabilities | (1,776,103) | 1,690,544 |
| Total Liabilities | <u>(58,671)</u> | <u>2,664,101</u> |
| Deferred Inflows | 5,283,844 | 809,072 |
| Net Position: | | |
| Invested in Capital Assets, | | |
| Net of Depreciation | 24,406,062 | 25,740,111 |
| Restricted | - | - |
| Unrestricted | 24,042,706 | 21,517,003 |
| Total Net Position | <u>\$ 48,448,768</u> | <u>\$ 47,257,114</u> |

Governmental activities increased the County's net position by \$1,191,654. The key component of this increase is due to an increase in operating grants and contributions in fiscal year 2022.

Frio County, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

Financial Analysis of the County as a Whole (continued)

Frio County, TX
Changes in Net Assets
Governmental Activities

| Functions/Programs | Expenses | Program Revenues | | 2022 | 2021 |
|--------------------------------------|----------------------|----------------------|------------------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Net | Net |
| | | | | (Expenses) Revenue and Changes in Net Position | (Expenses) Revenue and Changes in Net Position |
| | | | | Governmental Activities | Governmental Activities |
| Government activities | | | | | |
| General administration | \$ 3,061,057 | \$ 243,642 | \$ 567,786 | \$ (2,249,629) | \$ (1,654,719) |
| Judicial | 1,212,162 | 96,481 | - | (1,115,681) | (1,058,125) |
| Elections | 246,906 | 19,652 | - | (227,254) | (162,341) |
| Financial administration | 915,969 | 72,906 | - | (843,063) | (751,636) |
| Public facilities | 1,564,819 | 124,550 | - | (1,440,269) | (2,096,229) |
| Public safety | 4,290,105 | 341,466 | 2,137,544 | (1,811,095) | (4,171,047) |
| Maintenance and operations | 4,589,074 | 365,262 | 100,197 | (4,123,615) | (3,556,931) |
| Health and welfare | 706,196 | 56,209 | 534,386 | (115,601) | (290,271) |
| Conservation - agriculture | 87,473 | 6,962 | - | (80,511) | (115,303) |
| Corrections | 232,479 | 18,504 | - | (213,975) | (218,524) |
| Administration | 261,006 | 20,774 | - | (240,232) | (263,505) |
| Infrastructure | 1,887,389 | 150,225 | - | (1,737,164) | (1,664,942) |
| Total governmental activities | \$ 19,054,635 | \$ 1,516,633 | \$ 3,339,913 | \$ (14,198,089) | \$ (16,003,572) |
| General revenues: | | | | | |
| Taxes | | | | 13,878,329 | 14,956,795 |
| Interest | | | | 43,329 | 194,443 |
| Jail Revenues | | | | 11,600 | 9,800 |
| Miscellaneous | | | | 572,932 | 447,543 |
| Total general revenues | | | | 14,506,190 | 15,608,581 |
| Increase in net position | | | | 308,101 | (394,991) |
| Net Position at beginning of year | | | | 47,257,114 | 47,660,016 |
| Prior period Adjustment | | | | 883,553 | (7,911) |
| Net Position at end of year | | | | \$ 48,448,768 | \$ 47,257,114 |

Frio County, Texas

Management's Discussion and Analysis

September 30, 2022

(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 expenditures over revenues was \$118,162 over the final budgeted amounts in the General Fund. The County's revenues were \$195,475 under budgeted amounts and are attributed to a decrease in intergovernmental revenues for fiscal year 2022.

Capital Assets and Debt Administration

Capital assets

Frio County's' investment in capital assets for its governmental activities as of September 30, 2022, amounts to \$24,962,760 (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. There was a total decrease in the Frio County's investment in capital assets for the current fiscal year of 3 percent, which was attributable to adjustments made to Capital Assets based on annual depreciation.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2022

(Continued)

Frio County, TX
Capital Assets

| | Governmental-Type Activities | |
|--------------------------------|---------------------------------|----------------------|
| | 2022 | 2021 |
| Land | 262,691 | 262,691 |
| Construction in Progress | 981,924 | 717,545 |
| Buildings and Improvements | 9,879,883 | 8,962,906 |
| Machinery and Equipment | 12,672,644 | 12,912,797 |
| Infrastructure | 56,621,672 | 56,621,672 |
| Less: Accumulated Depreciation | (55,456,054) | (53,737,500) |
| Total Capital Assets | \$ 24,962,760 | \$ 25,740,111 |

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 | \$ - | \$ 686,399 | \$ (129,701) | \$ 556,698 | \$ 133,384 | \$ 423,314 |
| Grand Total | \$ - | \$ 686,399 | \$ (129,701) | \$ 556,698 | \$ 133,384 | \$ 423,314 |

Frio County, Texas' total long term debt increased by \$556,698 (100 percent) during the current fiscal year. The key factor in this increase is due to the County entering into a public property finance act contract agreement as the issuer for financing the acquisition of 10 police vehicles.

Frio County, Texas

Management's Discussion and Analysis

September 30, 2022

(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 2021-2022 budgets on September 13, 2021. The budget was adopted based on estimated balances that would be available at the end of the fiscal year 2022 and estimated revenues to be received in the fiscal year 2022. The total available resources for all funds for the fiscal year 2022 are \$20,008,604.

For 2021-2022, the property tax rate is \$0.5968 of \$100 assessed taxable valuation. This rate stayed the same as prior year. Tax revenues are budgeted to decrease, due to a decrease in the tax base.

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, 2022

| | Primary Government |
|---|-----------------------------|
| | Governmental Activities |
| Assets | |
| Cash and Cash Equivalents | \$ 22,431,585 |
| Investments | 1,690,000 |
| Receivables: | |
| Ad valorem taxes - net of allowance | 2,800,183 |
| Due from other governments | 100,732 |
| Due from Custodial Funds | 106,061 |
| Prepaid expenses | 197,482 |
| Capital assets: | |
| Land | 262,691 |
| Construction In Progress | 981,924 |
| Building and improvements | 9,879,883 |
| Equipment | 12,672,644 |
| Infrastructure | 56,621,672 |
| Accumulated depreciation | <u>(55,456,054)</u> |
| Total assets | <u>52,288,803</u> |
| Deferred Outflow related to Pension Plan | 1,277,844 |
| Deferred Outflow related to OPEB Plan | <u>107,294</u> |
| Total Deferred Outflow related to Pension & OPEB Plans | <u>1,385,138</u> |
| Liabilities | |
| Accounts payable | 1,127,108 |
| Accrued Wages & Related payable | 265,012 |
| Due to other Governments | 8,542 |
| Due to Custodial Funds | 174,620 |
| Compensated absences payable | 126,614 |
| Due to others | 15,536 |
| Non-Current Liabilities | |
| Notes Payable | 556,698 |
| Net Pension Liability (Asset) | (2,743,995) |
| Net OPEB Liability | <u>411,194</u> |
| Total liabilities | <u>(58,671)</u> |
| Deferred Inflow related to Unearned Grant Revenue | 1,735,874 |
| Deferred Inflow related to Pension Plan | 3,531,842 |
| Deferred Inflow related to OPEB Plan | <u>16,128</u> |
| Deferred Inflows related to Pension | <u>5,283,844</u> |
| Net Position | |
| Invested in capital assets - net of related debt | 24,406,062 |
| Unrestricted | <u>24,042,706</u> |
| Total Net Position | <u>\$ 48,448,768</u> |

The accompanying notes are an integral part of this statement.

Frio County, Texas
Statement of Activities
Year Ended September 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u> |
|--------------------------------------|-----------------------------|---------------------------------------|---|---|
| | | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Governmental</u> <u>Activities</u> |
| Government activities | | | | |
| General administration | \$ 3,061,057 | \$ 243,642 | \$ 567,786 | \$ (2,249,629) |
| Judicial | 1,212,162 | 96,481 | - | (1,115,681) |
| Elections | 246,906 | 19,652 | - | (227,254) |
| Financial administration | 915,969 | 72,906 | - | (843,063) |
| Public facilities | 1,564,819 | 124,550 | - | (1,440,269) |
| Public safety | 4,290,105 | 341,466 | 2,137,544 | (1,811,095) |
| Maintenance and operations | 4,589,074 | 365,262 | 100,197 | (4,123,615) |
| Health and welfare | 706,196 | 56,209 | 534,386 | (115,601) |
| Conservation - agriculture | 87,473 | 6,962 | - | (80,511) |
| Corrections | 232,479 | 18,504 | - | (213,975) |
| Administration | 261,006 | 20,774 | - | (240,232) |
| Infrastructure | 1,887,389 | 150,225 | - | (1,737,164) |
| Total governmental activities | <u>\$ 19,054,635</u> | <u>\$ 1,516,633</u> | <u>\$ 3,339,913</u> | <u>\$ (14,198,089)</u> |
| General revenues: | | | | |
| Taxes | | | | 13,878,329 |
| Interest | | | | 43,329 |
| Jail Revenues | | | | 11,600 |
| Miscellaneous | | | | 572,932 |
| Total general revenues | | | | <u>14,506,190</u> |
| Increase in net position | | | | 308,101 |
| Net Position at beginning of year | | | | <u>47,257,114</u> |
| Prior period Adjustment | | | | 883,553 |
| Net Position at end of year | | | | <u>\$ 48,448,768</u> |

The accompanying notes are an integral part of this statement.

Frio County, Texas

Balance Sheet - Governmental Funds

September 30, 2022

| | <u>General Fund</u> | <u>Road Bridge Fund</u> | <u>American Rescue Plan Fund</u> | <u>Aggregate Remaining Non Major Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|--|--|---|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 11,962,900 | \$ 4,960,214 | \$ 2,621,288 | \$ 2,887,183 | \$ 22,431,585 |
| Investments | 1,000,000 | 525,000 | - | 165,000 | 1,690,000 |
| Receivables: | | | | | |
| Ad valorem taxes - net of allowance | 1,933,684 | 620,035 | - | 246,464 | 2,800,183 |
| Due from other governments | 67,458 | 19,540 | - | 13,834 | 100,832 |
| Due from other funds | - | - | - | - | - |
| Due from Custodial Funds | 9,582 | 25,840 | - | 70,639 | 106,061 |
| Due from others | - | - | - | - | - |
| Prepaid expenditures | 197,448 | 34 | - | - | 197,482 |
| Total assets | <u>15,171,072</u> | <u>6,150,663</u> | <u>2,621,288</u> | <u>3,383,120</u> | <u>27,326,143</u> |
| Liabilities | | | | | |
| Accounts payable | 613,491 | 211,408 | 131,642 | 170,567 | 1,127,108 |
| Accrued Wages & Related Payables | 265,012 | - | - | - | 265,012 |
| Due to other governments | 8,542 | - | - | - | 8,542 |
| Due to other funds | - | - | - | 100 | 100 |
| Due to Custodial Funds | 174,620 | - | - | - | 174,620 |
| Due to others | 8,329 | - | - | 7,207 | 15,536 |
| Total liabilities | <u>1,069,994</u> | <u>211,408</u> | <u>131,642</u> | <u>177,874</u> | <u>1,590,918</u> |
| Deferred Inflows of Resources | | | | | |
| Unearned Grant Funds | - | - | 1,735,874 | - | 1,735,874 |
| Unavailable Revenue _ Property Taxes | 1,930,115 | 591,904 | - | 168,210 | 2,690,229 |
| Total Deferred Inflows of Resources | <u>1,930,115</u> | <u>591,904</u> | <u>1,735,874</u> | <u>168,210</u> | <u>4,426,103</u> |
| Fund Balances | | | | | |
| Fund balances | | | | | |
| Other assigned | - | - | 753,772 | 3,037,036 | 3,790,808 |
| Unreserved: | | | | | |
| Unassigned | 12,170,963 | 5,347,351 | - | - | 17,518,314 |
| Total fund balances | <u>12,170,963</u> | <u>5,347,351</u> | <u>753,772</u> | <u>3,037,036</u> | <u>21,309,122</u> |
| Total liabilities, Deferred Inflows And Fund Balances | <u>\$ 15,171,072</u> | <u>\$ 6,150,663</u> | <u>\$ 2,621,288</u> | <u>\$ 3,383,120</u> | <u>\$ 27,326,143</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, 2022

| | |
|--|------------------------------------|
| Total Fund Balances- Governmental Funds | \$ 21,309,122 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | 79,477,612 |
| Accumulated depreciation for capital assets recorded in governmental activities are not reported in the funds | (53,737,500) |
| Long Term Debt are recorded for governmental activities but not for the funds (Including Countys proportionate share of the TCRS Pension & OPEB Plans Activity) | (951,623) |
| Property taxes receivable not available to pay current period's expenditures are deferred in the funds | 2,690,229 |
| Compensated Absences are not reported as expenses in the statement of activities | 5,306 |
| Capital additions and long term debt payments are not reported as expenses in the statement of activities | 1,773,841 |
| Depreciation of capital assets used for governmental activities is not reported in the funds | (3,107,891) |
| 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 | <u>989,672</u> |
| Net postion of governmental activities - statement of net position | <u><u>\$ 48,448,768</u></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, 2022

| | General Fund | Road and Bridge Fund | American Rescue Plan Fund | Aggregate Remaining Non Major Funds | Total Governmental Funds |
|---|-------------------|-------------------------|---------------------------------|---|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 10,459,815 | \$ 2,723,744 | \$ - | \$ 1,068,922 | \$ 14,252,481 |
| Licenses and permits | - | 469,441 | - | - | 469,441 |
| Federal grants | 177,067 | - | 1,972,101 | 350,761 | 2,499,929 |
| State grants | 14,416 | - | - | 657,621 | 672,037 |
| Intergovernmental | 74,883 | 39,437 | - | 53,628 | 167,948 |
| Charges for services | 147,922 | - | - | 8,720 | 156,642 |
| Fines and forfeitures | 321,632 | 178,535 | - | 390,383 | 890,550 |
| Interest | 24,360 | 8,779 | - | 10,190 | 43,329 |
| Tobacco settlement | 2,347 | - | - | - | 2,347 |
| Jail Revenues | 11,600 | - | - | - | 11,600 |
| Miscellaneous | 155,137 | 68,266 | - | 135 | 223,538 |
| Total revenues | 11,389,179 | 3,488,202 | 1,972,101 | 2,540,360 | 19,389,842 |
| Expenditures | | | | | |
| Current: | | | | | |
| General administration | 1,939,568 | - | 397,805 | 263,526 | 2,600,899 |
| Judicial | 1,258,799 | - | - | 6,710 | 1,265,509 |
| Elections | 263,802 | - | - | - | 263,802 |
| Financial administration | 975,401 | - | - | - | 975,401 |
| Public facilities | 1,583,678 | - | - | - | 1,583,678 |
| Public safety | 4,951,945 | - | 820,524 | 648,802 | 6,421,271 |
| Maintenance and operations | - | 3,112,267 | - | 1,283,015 | 4,395,282 |
| Health and welfare | 34,233 | - | - | 572,878 | 607,111 |
| Conservation - agriculture | 93,170 | - | - | - | 93,170 |
| Corrections | 256,485 | - | - | - | 256,485 |
| Administration | 284,099 | - | - | - | 284,099 |
| Total expenditures | 11,641,180 | 3,112,267 | 1,218,329 | 2,774,931 | 18,746,707 |
| Excess (deficiency) of revenues over (under) expenditures | (252,001) | 375,935 | 753,772 | (234,571) | 643,135 |
| Other Financing Sources | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - |
| Sale of Fixed Assets | 133,996 | 213,051 | - | - | 347,047 |
| Total other financing sources | 133,996 | 213,051 | - | - | 347,047 |
| Net changes in fund balances | (118,005) | 588,986 | 753,772 | (234,571) | 990,182 |
| Fund balances at beginning of | 11,750,206 | 4,333,824 | - | 3,320,214 | 19,404,244 |
| Prior Period Adjustment | 538,762 | 424,541 | - | (48,607) | 914,696 |
| Fund balances at end of year | \$ 12,170,963 | \$ 5,347,351 | \$ 753,772 | \$ 3,037,036 | \$ 21,309,122 |

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, 2022

| | |
|--|-------------------|
| Net changes in fund balances - total Governmental Funds | \$ 990,182 |
| 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 | 5,306 |
| Capital additions and long tem debt payments are not reported as expenses in the statement of activities | 1,773,841 |
| Depreciation of capital assets used for governmental activities is not reported in the funds | (3,107,891) |
| Changes in property taxes receivable not available to pay for current period's expenditures are deferred in the funds | (374,152) |
| Current year changes due to GASB 68 (Pension Plan Activity) | 1,042,652 |
| Current year changes due to GASB 75 (OPEB Plan Activity) | (52,980) |
| 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 | 31,143 |
| Net changes in net position - Statement of Activities | \$ 308,101 |

The accompanying notes are an integral part of this statement.

Frio County, Texas

Statement of Fiduciary Net Position - Custodial Funds

September 30, 2022

| | |
|---------------------------|----------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 2,884,755 |
| Due from other funds | - |
| Due from others | - |
| Restricted cash | <u>45,332</u> |
| Total assets | <u><u>2,930,087</u></u> |
| Liabilities | |
| Payable to state | - |
| Due to other funds | - |
| Due to others | <u>2,930,087</u> |
| Total liabilities | <u><u>\$ 2,930,087</u></u> |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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, 2022, 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, 2022

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, 2022

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, 2022, and became due October 1, 2020 have been assessed to finance the budget of the fiscal year beginning October 1, 2020 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statements at September 30, 2022.

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, 2022

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 Custodial 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 \$883,533 were made in fiscal year 2022, of which \$31,143 was made to the Governmental Activities to reconcile OPEB activity from prior years. Adjustments of (\$914,696) were made to the fund level financial statements in fiscal year 2022 to record un-adopted prior year adjustments and to eliminate prior year balances to the general fund, road & bridge fund and aggregate remaining funds.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note A - Summary of Significant Accounting Policies (continued)

6. Cash and Investments

The County's total bank deposits of \$29,323,560 at September 30, 2022 were 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 \$29,323,560 in bank deposits \$1,790,006 consisted of non-negotiable certificates of deposits (CDs) whose original maturity is more than 3 months and \$27,533,554 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, 2022:

| | |
|---|----------------------|
| 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>35,182,027</u> |
| Total | \$ <u>35,432,027</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, 2022.

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, 2022, all of the County's cash deposits are classified as category 1.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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, 2022 is \$146,081.

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 \$126,614 for year-end September 30, 2022.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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, 2022

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, 2022, 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, 2022

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, 2021 was \$2,030,816,530.

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 2022 tax rate for the October 1, 2021 levy was \$0.4164 for the General Fund, \$0.1295 for the Road and Bridge Fund, and \$0.0433 for the Farm-to-Market and Lateral Road 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, 2022

Note C - Property Taxes (continued)

3. Taxes Receivable and Advance Tax Collections (continued)

| | General | Road and Bridge | Lateral Road Fund | Debt Service | Total |
|---------------------------------------|--------------|-----------------------|-------------------------|-----------------|--------------|
| <u>Receivables</u> | | | | | |
| Taxes | \$ 2,047,057 | \$ 643,361 | \$ 226,600 | \$ 29,244 | \$ 2,946,262 |
| Gross Receivables | 2,047,057 | 643,361 | 226,600 | 29,244 | 2,946,262 |
| Less: Allowance for Uncollectibles | 113,373 | 23,326 | 9,380 | - | 146,079 |
| Net Total Receivables | \$ 1,933,684 | \$ 620,035 | \$ 217,220 | \$ 29,244 | \$ 2,800,183 |

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 \$100,832 which were miscellaneous state grants of \$33,375 and Payroll Deposits of \$67,457.

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

The \$1,385,138 in deferred outflows and \$5,283,844 in deferred inflows are related to the fiscal year 2022 activity of the county's portion of the retirement system. The \$4,426,103 in deferred inflows (on the fund level basis financial statements) is delinquent property tax revenue as of the of the end of fiscal year 2022.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note E - Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

| | Balance at October 1, 2021 | Increases | Decreases | Balance at September 30, 2022 |
|--|-------------------------------|---------------------|--------------------|----------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 262,691 | - | - | \$ 262,691 |
| Construction in Progress | 717,545 | 476,511 | (212,132) | 981,924 |
| Total capital assets not being depreciated: | 980,236 | 476,511 | (212,132) | 1,244,615 |
| Capital assets being depreciated: | | | | |
| Buildings and Improvements | 8,962,907 | 704,844 | 212,132 | 9,879,883 |
| Machinery, Equipment and Vehicles | 12,912,797 | 1,149,184 | (1,389,337) | 12,672,644 |
| Infrastructure | 56,621,672 | - | - | 56,621,672 |
| Total Depreciable Assets | 78,497,376 | 1,854,028 | (1,177,205) | 79,174,199 |
| Less: Accumulated depreciation for: | | | | |
| Buildings and Improvements | (5,008,274) | (222,468) | - | (5,230,742) |
| Machinery, Equipment and Vehicles | (9,094,024) | (998,034) | 1,389,337 | (8,702,721) |
| Infrastructure | (39,635,202) | (1,887,389) | - | (41,522,591) |
| Total Accumulated Depreciation | (53,737,500) | (3,107,891) | 1,389,337 | (55,456,054) |
| Total Capital Assets Depreciated, Net | 24,759,876 | (1,253,863) | 212,132 | 23,718,145 |
| Governmental Activities capital assets, Net | \$ 25,740,112 | \$ (777,352) | \$ - | \$ 24,962,760 |

Depreciation expense for the year ended September 30, 2022 was charged to the functions of the primary government as follows:

Governmental Activities:

| | |
|----------------------------|------------------|
| General administration | \$ 5,001 |
| Judicial | 19,415 |
| Public safety | 296,333 |
| Maintenance and operations | 770,555 |
| Health and Welfare | 129,198 |
| Infrastructure | <u>1,887,389</u> |

Total depreciation expense - governmental activities **\$ 3,107,891**

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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, 2022 including interest payments, are as follows:

| Year Ending December 31, | Governmental Activities | |
|--------------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2023 | 133,384 | 15,810 |
| 2024 | 137,172 | 12,022 |
| 2025 | 141,068 | 8,126 |
| 2026 | 145,074 | 4,120 |
| 2027 | - | - |
| Totals | 556,698 | 40,078 |

Changes in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year | Due After One Year |
|--|----------------------|----------------|------------------|-------------------|------------------------|-----------------------|
| <u>Governmental Activities:</u> | | | | | | |
| Note Payable | - | 686,399 | (129,701) | 556,698 | 133,384 | 423,314 |
| Total Government Long Term Debt | - | 686,399 | (129,701) | 556,698 | 133,384 | 423,314 |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note G - Interfund Transfers, Receivables, and Payables

Interfund receivables and payables at September 30, 2022 consisted of the following:

| | Interfund Payable | Interfund Receivable |
|---------------------------|----------------------|-------------------------|
| Custodial Funds | \$ 174,620 | \$ 106,061 |
| Aggregate Remaining Funds | <u>100</u> | <u>-</u> |
| | <u>\$ 174,720</u> | <u>\$ 106,061</u> |

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

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, 2022:

| | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| Beginning balance at October 1, 2021 | \$ 131,920 |
| Changes | <u>5,306</u> |
| Ending balance at September 30, 2022 | <u>\$ 126,614</u> |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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 677 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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, 2021, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 65 |
| Inactive employees entitled to but not yet receiving benefits | 166 |
| Active employees | 147 |

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 9.49% of covered payroll for the months of the calendar year in 2021, and 11.31% of covered payroll for the months of the calendar year in 2022.

The deposit rate payable by all employee members for the calendar year 2022 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, 2022

Note I - Pension Plan(cont.)

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

Net Pension Liability / (Asset)

| | December 31, 2021 |
|---|-------------------|
| Total pension liability | \$ 24,094,217 |
| Fiduciary net position | 26,838,211 |
| Net pension liability / (asset) | (2,743,994) |
| Fiduciary net position as a % of total pension liability | 111.39% |
| Pensionable covered payroll | 6,655,445 |
| Net pension liability / (asset) as a % of covered payroll | -41.23% |

The County's net pension liability was measured as of December 31, 2021, 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, 2021 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 | 18.8 years (based on contribution rate calculated in 12/31/2021 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 |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note I - Pension Plan(cont.)

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, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

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 2022 information for a 10-year time horizon.

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return |
|---|---|-------------------|-------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 3.80% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.10% |
| International Equities Developed Markets | MSCI World Ex USA (net) Index | 5.00% | 3.80% |
| International Equities Emerging Markets | MSCI Emerging Markets (net) Index | 6.00% | 4.30% |
| Investment Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | -0.85% |
| Strategic Credit | FTSE High-Yield Cash Pay Capped Index | 9.00% | 1.77% |
| Direct Lending | S&P /LTSA Leverage Loan Index | 16.00% | 6.25% |
| Distressed Debt | Cambridge Associates Distressed Securities Index | 4.00% | 4.50% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 3.10% |
| Master Limited Partnerships | Alerian MLP Index | 2.00% | 3.85% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 6.00% | 5.10% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 25.00% | 6.80% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 8.00% | 1.55% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | -1.05% |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note I - Pension Plan (cont.)

Discount Rate/Depletion of Plan Assets

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. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act

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

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note I - Pension Plan (cont.)

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability 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.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|----------------------------|---------------------------|-----------------------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/ (Asset) |
| | (a) | (b) | (a) - (b) |
| Balance at December 31, 2020 | \$ 23,600,461 | \$ 22,304,684 | \$ 1,295,777 |
| Changes for the year: | | | - |
| Service Cost | 833,622 | - | 833,622 |
| Interest on total pension liability | 1,804,390 | - | 1,804,390 |
| Effect of plan changes | - | - | - |
| Effect on economic/demographic gains or losses | (661,730) | - | (661,730) |
| Effect of assumptions changes or inputs | (72,485) | - | (72,485) |
| Refund of contributions | (375,560) | (375,560) | - |
| Benefit payments | (1,034,481) | (1,034,481) | - |
| Administrative expense | - | (14,520) | 14,520 |
| Member contributions | - | 465,881 | (465,881) |
| Net investment income | - | 4,863,318 | (4,863,318) |
| Employer contributions | - | 631,602 | (631,602) |
| Other | - | (2,712) | 2,712 |
| Net Changes | 493,756 | 4,533,528 | (4,039,772) |
| Balance at December 31, 2021 | \$ 24,094,217 | \$ 26,838,212 | \$ (2,743,995) |

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.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note I - Pension Plan (cont.)

Pension Expense/(Income)

| | <u>January 1, 2021 to December 31, 2021</u> |
|---|---|
| Service cost | \$ 833,622 |
| Interest on total pension liability | 1,804,390 |
| Effect of plan changes | - |
| Administrative expenses | 14,520 |
| Member contributions | (465,881) |
| Expected investment return net of investment expenses | (1,682,853) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | (253,019) |
| Recognition of assumption changes or inputs | 321,214 |
| Recognition of investments gains or losses | (866,947) |
| Other | <u>2,712</u> |
| Pension expense / (income) | \$ (292,242) |

Deferred Inflows / Outflows of Resources

As of December 31, 2021, 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 | \$ 441,153 | \$ 45,568 |
| Changes in Assumptions | 48,323 | 655,579 |
| Net Difference Between Projected and Actual Investment Earnings | 3,042,367 | - |
| Contributions paid to TRS subsequent to the Measurement Date | - | <u>576,697</u> |
| Totals | <u>\$ 3,531,843</u> | <u>\$ 1,277,844</u> |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Note I - Pension Plan (cont.)

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: | |
| 2022 | \$ (549,371) |
| 2023 | (919,115) |
| 2024 | (726,118) |
| 2025 | (636,092) |
| 2026 | - |
| Thereafter | - |

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 TCDRS 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 TCDRS 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 TCDRS 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.

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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

Membership Information

| | <u>December 31, 2020</u> | <u>December 31, 2021</u> |
|---|------------------------------|------------------------------|
| Number of inactive employees entitled to but not yet receiving benefits (i) | 40 | 45 |
| Number of active employees | 127 | 147 |
| Average age of active employees | 46.46 | 45.59 |
| Average length of service in years for active employees | 12.22 | 10.14 |
| <hr/> | | |
| Inactive Employees Receiving Benefits (i) | | |
| Number of Benefit Recipients | 56 | 55 |

| | <u>Changes in Total OPEB Liability</u> |
|---|--|
| Balance at December 31, 2020 | \$ 394,768 |
| Changes for the year: | |
| Service Cost | 16,238 |
| Interest on total OPEB liability | 8,587 |
| Changes of benefit terms | - |
| Effect on economic/demographic experience | (4,162) |
| Effect of assumptions changes or inputs | 7,743 |
| Benefit payments | (11,980) |
| Other | - |
| Net Changes | <u>16,426</u> |
| Balance at December 31, 2021 | <u>\$ 411,194</u> |

The total OPEB liability as of December 31, 2021, was \$411,194 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, 2020</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Discount Rate | 2.12% | 2.06% |
| Long-Term expected rate of return, net of investment expense | Does not apply | Does not apply |
| Municipal Bond Rate | 2.12% | 2.06% |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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

All actuarial assumptions that the total OPEB liability as December 31, 2021 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.

| | |
|---|--|
| Valuation Timing | Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Straight-Line amortization over Expected Working Life |
| Recognition of economic/demographic gains or losses | |
| 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) | 2.06% 20 Year Bond GO index published by the bondbuyer.com as of December 31, 2021. |
| 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. |

Frio County, Texas
Notes to Financial Statements
September 30, 2022

Retirement

Members eligible for service retirement are assumed to retire at rates based on TCDRS experience as compiled in its customized Table.

| | Beginning Date | Ending Date |
|------------------------|-------------------|--------------------|
| Valuation Date | December 31, 2020 | December 31, 2021 |
| Measurement Date | December 31, 2020 | December 31, 2021 |
| Employer's fiscal Year | October 1, 2021 | September 30, 2022 |

GASB Discount Rate Used

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 2.06% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

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.

2021 Employer OPEB Contributions and Benefit Payments

The following shows a breakdown of the employer's contributions to the GTL program for the calendar year 2021. 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 | 2021 GTL Rate | Amount | Financial Reporting |
|---------------------------|---------------|----------|---------------------------|
| Active Member GTL Benefit | 0.21% | \$13,976 | No Change from prior year |
| Retiree GTL Benefit | 0.18% | \$11,980 | 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, 2021 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 47.50000%, allocated as follows:

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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

| Coverage Type | 2022 GTL Rate | Proportion | Financial Reporting |
|---------------------------|---------------|------------|---------------------------|
| Active Member GTL Benefit | 0.21% | 52.50000% | No Change from prior year |
| Retiree GTL Benefit | 0.19% | 47.50000% | GASB 75 |

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.06%, 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 (1.06%) or 1 percentage point higher 3.06%) 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 1.06% | Current Discount Rate 2.06% | 1% Increase 3.06% |
|----------------------|--------------------------|-----------------------------------|-------------------------|
| Total OPEB Liability | \$502,631 | \$411,194 | \$341,784 |

| | January 1, 2021 to December 31, 2021 |
|---|---|
| Service cost | \$ 16,238 |
| Interest on total OPEB liability | 8,587 |
| Effect of plan changes | - |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | 2,850 |
| Recognition of assumption changes or inputs | 17,553 |
| Other | - |
| OPEB expense / (income) | \$ 45,228 |

The total OPEB Expense for September 30, 2022 was \$45,228.

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows Of Resources | Deferred Outflows Of Resources |
|--|----------------------------------|-----------------------------------|
| Differences Between Expected and Actual Experience | \$ 4,632 | \$ 15,689 |
| Changes in Assumptions | 11,496 | 71,209 |
| Contributions paid to TRS subsequent to the Measurement Date | N/A | 20,396 |

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

Frio County, Texas
Notes to Financial Statements
September 30, 2022

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

| | | |
|--------------|----|--------|
| Year Ended | | |
| December 31: | | |
| 2022 | \$ | 20,403 |
| 2023 | | 20,400 |
| 2024 | | 19,401 |
| 2025 | | 10,566 |
| 2026 | | - |
| Thereafter | | - |

Contributions subsequent to the measurement date of \$20,396 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, 2022.

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, 2022, and it can be obtained from that agency.

Note L- Subsequent Events

Management has evaluated subsequent events of Frio County through August 10, 2023 (the date the financial statements were available to be issued).

Frio County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget to Actual - General Fund - Unaudited

Year Ended September 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------|--------------------------|-----------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 10,090,881 | \$ 10,090,881 | \$ 10,459,815 | \$ 368,934 |
| Licenses and permits | - | - | - | - |
| Federal grants | - | - | 177,067 | 177,067 |
| State grants | - | - | 14,416 | 14,416 |
| Intergovernmental | 294,192 | 459,708 | 74,883 | (384,825) |
| Charges for services | 202,874 | 202,874 | 147,922 | (54,952) |
| Fines and forfeitures | 397,500 | 397,500 | 321,632 | (75,868) |
| Interest | 88,000 | 88,000 | 24,360 | (63,640) |
| Tobacco settlement | 2,000 | 2,000 | 2,347 | 347 |
| Jail Revenues | 22,500 | 22,500 | 11,600 | (10,900) |
| Miscellaneous | 270,075 | 455,031 | 155,137 | (299,894) |
| Total revenues | <u>11,368,022</u> | <u>11,718,494</u> | <u>11,389,179</u> | <u>(329,315)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General administration | 2,367,241 | 2,385,998 | 1,939,568 | 446,430 |
| Judicial | 1,409,407 | 1,409,408 | 1,258,799 | 150,609 |
| Elections | 235,916 | 267,916 | 263,802 | 4,114 |
| Financial administration | 1,035,159 | 1,035,159 | 975,401 | 59,758 |
| Public facilities | 3,116,540 | 3,120,420 | 1,583,678 | 1,536,742 |
| Public safety | 4,810,858 | 5,105,436 | 4,951,945 | 153,491 |
| Maintenance and operations | - | - | - | - |
| Health and welfare | 37,794 | 37,794 | 34,233 | 3,561 |
| Conservation - agriculture | 145,189 | 145,189 | 93,170 | 52,019 |
| Corrections | 270,830 | 270,830 | 256,485 | 14,345 |
| Administration | 302,546 | 302,802 | 284,099 | 18,703 |
| Total expenditures | <u>13,731,480</u> | <u>14,080,952</u> | <u>11,641,180</u> | <u>2,439,772</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,363,458)</u> | <u>(2,362,458)</u> | <u>(252,001)</u> | <u>2,110,457</u> |
| Other Financing Sources | | | | |
| Operating transfers in | 2,363,458 | 2,362,458 | - | (2,362,458) |
| Operating transfers out | - | - | - | - |
| Sale of Fixed Assets | - | - | 133,996 | 133,996 |
| Total other financing sources | <u>2,363,458</u> | <u>2,362,458</u> | <u>133,996</u> | <u>(2,228,462)</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>(118,005)</u> | <u>(118,005)</u> |
| Fund balances at beginning of | <u>11,750,206</u> | <u>11,750,206</u> | <u>11,750,206</u> | <u>-</u> |
| Prior Period Adjustment | - | - | 538,762 | 538,762 |
| Fund balances at end of year | <u><u>11,750,206</u></u> | <u><u>11,750,206</u></u> | <u><u>\$ 12,170,963</u></u> | <u><u>\$ 420,757</u></u> |

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 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Total pension liability | | | | | | | | |
| Service Cost | \$ 653,437 | \$ 701,162 | \$ 679,128 | \$ 726,528 | \$ 655,640 | \$ 741,224 | \$ 755,543 | \$ 833,622 |
| 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 |
| Effect of plan changes | - | (1,551,506) | (57,376) | (1,394,294) | - | - | - | - |
| Effect of assump. 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) |
| Benefit payments, refunds | (563,743) | (690,461) | (663,161) | (921,204) | (841,707) | (1,028,788) | (1,038,845) | (1,410,041) |
| 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 |
| 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 |
| Total pension liability - ending (a) | <u>\$ 17,212,112</u> | <u>\$ 16,968,840</u> | <u>\$ 18,421,733</u> | <u>\$ 18,120,410</u> | <u>\$ 19,488,429</u> | <u>\$ 20,807,020</u> | <u>\$ 23,600,460</u> | <u>\$ 24,094,216</u> |
| Fiduciary net position | | | | | | | | |
| Employer contributions | \$ 414,686 | \$ 435,201 | \$ 425,658 | \$ 438,976 | \$ 476,381 | \$ 530,729 | \$ 606,820 | \$ 631,602 |
| Member contributions | 325,766 | 352,591 | 350,541 | 353,603 | 362,858 | 411,418 | 460,209 | 465,881 |
| 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 |
| Benefit payments, refunds | (563,743) | (690,461) | (663,161) | (921,204) | (841,707) | (1,028,788) | (1,038,845) | (1,410,041) |
| Administrative expenses | (10,782) | (10,417) | (11,625) | (11,829) | (14,009) | (15,395) | (16,321) | (14,520) |
| Other | (80,808) | 35,146 | 38,418 | (1,835) | 1,866 | (152) | 2,836 | (2,712) |
| 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 |
| 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 |
| Fiduciary net position - ending (b) | <u>\$ 14,486,486</u> | <u>\$ 14,439,568</u> | <u>\$ 15,647,220</u> | <u>\$ 17,786,810</u> | <u>\$ 17,440,808</u> | <u>\$ 20,202,836</u> | <u>\$ 22,304,681</u> | <u>\$ 26,838,209</u> |
| Net pension liability = (a) - (b) | <u>\$ 2,725,626</u> | <u>\$ 2,529,272</u> | <u>\$ 2,774,513</u> | <u>\$ 333,600</u> | <u>\$ 2,047,621</u> | <u>\$ 604,184</u> | <u>\$ 1,295,779</u> | <u>\$ (2,743,993)</u> |
| 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% |
| 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 |
| 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% |

* May be off due to rounding

Note: Only eight years of data is presented in accordance with GASBS #68, paragraph 138, since this is the only information available that is measureable in accordance with this statement.

Frio County, Texas
Schedule of Employer Contributions
Texas County & District Retirement System

| | <u>12/31/2012</u> | <u>12/31/2013</u> | <u>12/31/2014</u> | <u>12/31/2015</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2021</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially Determined Contribution | \$ 230,252 | \$ 285,211 | \$ 414,654 | \$ 435,201 | \$ 425,658 | \$ 438,976 | \$ 476,381 | \$ 530,729 | \$ 606,820 | \$ 631,602 |
| Contributions in relation to the actuarially determined contribution | 230,252 | 285,211 | 414,686 | 435,201 | 425,658 | 438,976 | 476,381 | 530,729 | 606,820 | 631,602 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ (32) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Employee Payroll | \$ 3,592,105 | \$ 4,080,299 | \$ 4,653,805 | \$ 5,037,016 | \$ 5,007,728 | \$ 5,051,474 | \$ 5,183,686 | \$ 5,877,400 | \$ 6,574,418 | \$ 6,655,445 |
| Contributions as a Percentage of Covered Employee Payroll | 6.40% | 7.00% | 8.90% | 8.60% | 8.50% | 8.70% | 9.20% | 9.00% | 9.20% | 9.50% |

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

| | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2021</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | | | | | |
| Service Cost | \$ 9,080 | \$ 11,549 | \$ 9,235 | \$ 15,374 | \$ 16,238 |
| Interest on the total OPEB liability | 9,345 | 9,123 | 10,205 | 9,137 | 8,587 |
| Effect of plan changes | - | - | - | - | - |
| Effect of assump. changes or inputs | 11,605 | (26,828) | 66,109 | 42,967 | 7,743 |
| Effect of economic/demographic (gains) or losses | (4,552) | 3,837 | 6,565 | 16,141 | (4,162) |
| Benefit payments, refunds | <u>(10,103)</u> | <u>(9,849)</u> | <u>(13,518)</u> | <u>(13,806)</u> | <u>(11,980)</u> |
| Net change in total OPEB liability | 15,375 | (12,168) | 78,596 | 69,813 | 16,426 |
| Total OPEB liability - beginning | <u>243,152</u> | <u>258,527</u> | <u>246,359</u> | <u>324,955</u> | <u>394,768</u> |
| Total OPEB liability - ending (a) | <u>\$ 258,527</u> | <u>\$ 246,359</u> | <u>\$ 324,955</u> | <u>\$ 394,768</u> | <u>\$ 411,194</u> |
| | | | | | |
| Pensionable covered payroll | \$ 5,051,474 | \$ 5,183,686 | \$ 5,877,400 | \$ 6,574,418 | \$ 6,655,445 |
| | | | | | |
| Total OPEB liability/ (asset) as a percentage of covered payroll | 5.12% | 4.75% | 5.53% | 6.00% | 6.18% |

* May be off due to rounding

Note: Only five 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.

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

16011 University Oak
San Antonio, Texas 78249
Telephone:(210) 696-6208
Fax:(210) 492-6209

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, 2022, 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 10, 2023.

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 2022-01, 2022-02)

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 10, 2023

Frio County, Texas

Summary Schedule of Findings (Financial Audit)

Year ended September 30, 2022

We consider the following to be significant deficiencies:

Finding 2022 -01 Inter fund Balances

Inter fund balances for Fiscal year 2022 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 2023.

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

Finding 2022-02 Custodial Fund accounting procedures

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's 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 2023.

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

