



Financial Statements
September 30, 2023

Erath County, Texas

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Independent Auditor's Report

The Honorable Judge and Members of the Commissioners Court
Erath County, Texas
Stephenville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Erath County, Texas (the County) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Erath County, Texas, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Erath County, Texas, 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 audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 and 12 to the financial statements, the Erath County, Texas has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended September 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of October 1, 2022, to restate beginning net position. Our opinions are 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 GAAS and *Government 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 GAAS and *Government 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 the 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 the 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 and the budgetary comparison information together with the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 5-15 and 50-58 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 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 the effectiveness of the County's 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
June 28, 2024

As management of Erath County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

DISCUSSION OF THE FINANCIAL STATEMENTS AND PERFORMANCE

This management discussion and analysis (MD&A) of Erath County (County) financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2023. The MD&A should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements. The MD&A includes comparative data for the prior year.

FINANCIAL HIGHLIGHTS

Government-Wide Statements

The government-wide financial position increased in fiscal year ended September 30, 2023. The fiscal year 2023 net position was \$60,039,920 compared to the restated fiscal 2022 net position of \$54,873,897. The net increase was \$5,166,023.

Governmental Funds Financial Statements

The County's governmental funds reported combined fund balances of \$27,581,433 compared to the balance of \$26,667,748 of prior year.

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$15,966,272 or 81% of general fund expenditures (excluding other financing sources).

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components:

1. Government -wide financial statements
2. Fund financial statements
3. Notes to the financial statements

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

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Erath County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 16) presents information on all of Erath County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Erath County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors.

The Statement of Activities (Page 17) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Net position – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements are designed to distinguish functions of Erath County that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include general government, judicial, elections, financial administration, legal, law enforcement, road and bridge, health and welfare, parks and recreation, and county extension services. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

Fund Financial Statements

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

The County has three types of funds:

- Governmental funds—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 19 and 21 of the basic financial statements section.

The County maintains thirty-five individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, road and bridge fund, grants fund, and the capital projects fund, all of which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- **Fiduciary funds** – The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Fund Net Position. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

Discretely Presented Component Unit. The Erath County Volunteer Fire Department (VFD) is under the direction of a five-member board of managers who are appointed by the Commissioners' Court. The Commissioners' Court approves the VFD budget. The VFD financial data is presented separately to emphasize that it is legally separate from the County.

Complete financial statements for the VFD may be obtained from:
President
Erath County Volunteer Fire Department
830 A East Road
Stephenville, TX 76401

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Erath County's combined net position was approximately \$60 million at September 30, 2023. The largest portion of the County's net position (48%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position (21%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

| | Governmental Activities | |
|----------------------------------|-------------------------|----------------------------------|
| | September 30, 2023 | September 30, 2022 (restated) |
| Current and Other Assets | \$ 38,427,470 | \$ 45,410,089 |
| Capital Assets | 31,079,364 | 26,731,094 |
| Total assets | 69,506,834 | 72,141,183 |
| Deferred Outflows of Resources | 2,773,749 | 2,158,402 |
| Current Liabilities | 10,102,032 | 10,807,291 |
| Long Term Liabilities | 2,055,037 | 1,831,638 |
| Total liabilities | 12,157,069 | 12,638,929 |
| Deferred Inflows of Resources | 83,594 | 6,786,759 |
| Net Position | | |
| Net Investment in Capital Assets | 28,791,544 | 24,451,893 |
| Restricted | 9,965,575 | 16,234,414 |
| Unrestricted | 21,282,801 | 14,187,590 |
| Total net position | \$ 60,039,920 | \$ 54,873,897 |

Changes in Net Position

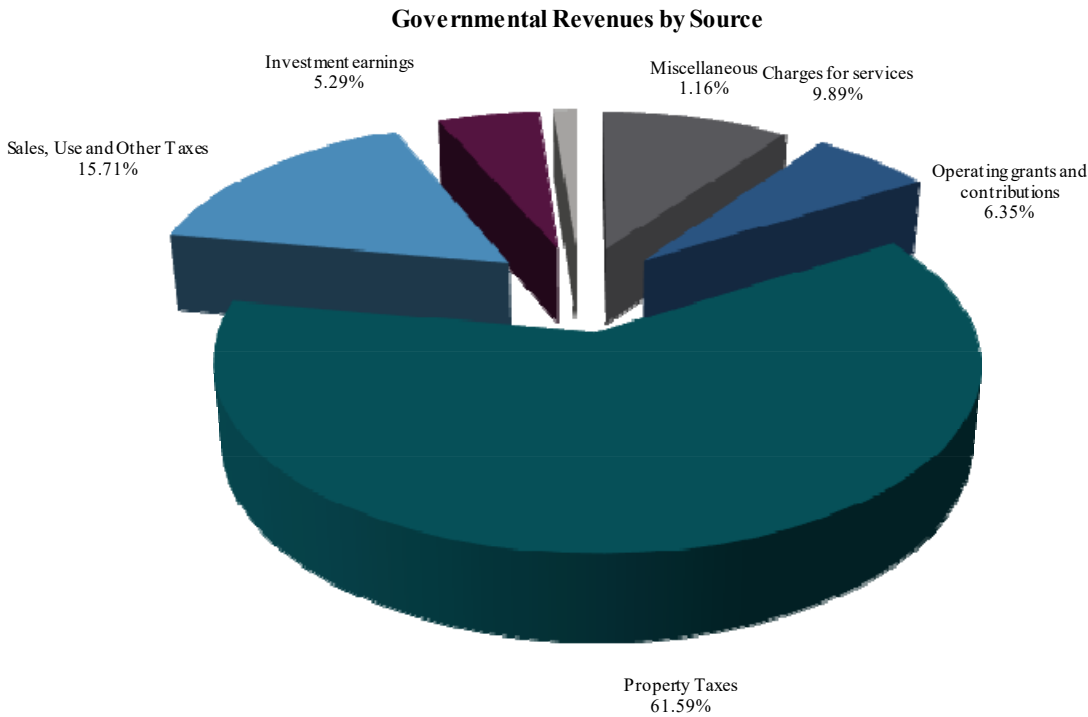
Erath County's net position increased by \$5,166,023 during the current fiscal year.

| | Governmental Activities | |
|------------------------------------|-------------------------|-------------------------------------|
| | September 30, 2023 | September 30, 2022 (as restated) |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 3,264,329 | \$ 3,083,166 |
| Operating grants and contributions | 2,096,455 | 247,818 |
| Capital grants and contributions | - | - |
| General revenues | | |
| Property taxes | 20,319,435 | 17,741,608 |
| Sales and use and other taxes | 5,184,791 | 4,678,857 |
| Investment earnings | 1,746,546 | 300,405 |
| Miscellaneous revenue | 381,192 | 402,793 |
| Gain on sale of assets | - | 117,527 |
| Total revenues | <u>32,992,748</u> | <u>26,572,174</u> |
| Expenses | | |
| General government | 4,205,094 | 4,055,914 |
| Judicial | 3,005,539 | 1,059,639 |
| Elections | 127,328 | 63,483 |
| Financial Administration | 1,487,694 | 1,370,950 |
| Tax Administration | 887,179 | 798,842 |
| Law Enforcement | 10,917,743 | 8,377,428 |
| Road and bridge | 5,661,231 | 4,267,095 |
| Health care | 979,703 | 869,251 |
| Parks and recreation | 141,400 | 68,188 |
| County extension service | 374,274 | 317,986 |
| Interest on long-term debt | 39,540 | 53,421 |
| Total expenses | <u>27,826,725</u> | <u>21,302,197</u> |
| Change in Net Position | 5,166,023 | 5,269,977 |
| Beginning net position | 54,873,897 | 49,603,920 |
| Ending Net Position | <u>\$ 60,039,920</u> | <u>\$ 54,873,897</u> |

Governmental Activities

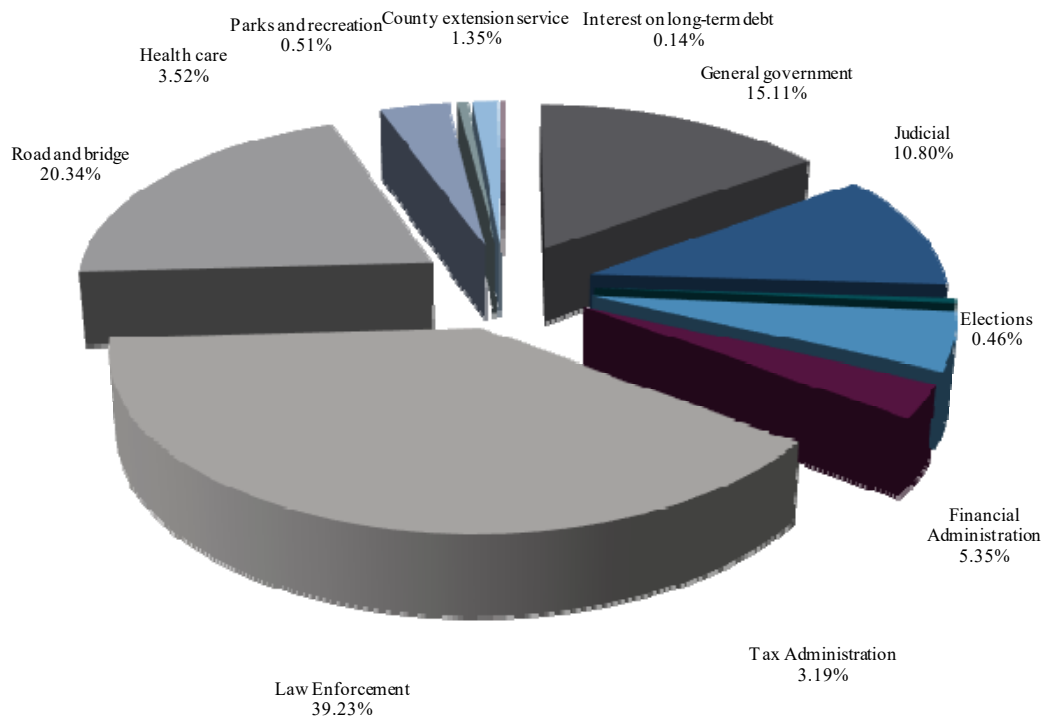
Total revenues for the fiscal year ending September 30, 2023 were \$32.9 million. Approximately 77% of the County's revenue comes from taxes, with approximately 62% from property taxes alone. Property tax revenue as a percentage of total revenue was comparable to the prior year.

Expenditures increased by \$6.5 million from the prior year due to overall rising costs.



The total cost for all programs and services totaled \$27.8 million for the year ended September 30, 2023. Of this amount, the largest operating services areas were law enforcement which totaled \$10.9 million or 39% of total expenses for the year, and road and bridge which totaled \$5.6 million, or 20% of total expenses for the year. In the prior year, these two operating areas comprised 59.3% of total expenses. Costs related to general government (15%) continued to absorb a significant percentage of the County's total expenses for the current year.

Governmental Functional Expenses



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Erath County's governmental funds reported a combined fund balance of \$27.5 million, an increase of \$913,685 or 3.43% in comparison with the prior year. Approximately 58% of this total amount (\$15.9 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed, to indicate that it is not available for new spending because it has already been restricted or committed to: 1) special purposes by virtue of special revenue funds (\$11.4 million).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$16.1 million. Approximately \$15.9 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 81% of total General Fund expenditures. Erath County's General Fund balance increased by \$2.2 million during the current fiscal year.

The Road and Bridge Fund had a fund balance of \$5.9 million at the end of the year, which is an increase of \$1.1 million in fund balance from prior year fund balance of \$4.8 million.

The Grants Fund had a fund balance of \$439,520 at the end of the year, which is an increase of \$353,997 in fund balance from prior year fund balance of \$85,523.

The Capital Projects Fund had a fund balance of \$1.6 million at the end of the year, which is a decrease of \$2.9 million in fund balance from prior year fund balance of \$4.6 million.

Fund Budgetary Highlights

Over the course of the year, the County's General Fund budget was revised. Actual expenditures were \$1,130,236 below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in general government, judicial, and law enforcement expenditures. Resources available were \$4,781,998 greater than the final budgeted amount. The revenue increases were primarily due to increased property tax and sales tax revenues.

Over the course of the year, the County's Road and Bridge Fund budget was revised. Actual expenditures were \$2,370,794 below final budgeted amounts. Positive variances from budgeted expenditures resulted from lower than expected road and bridge expenditures. Resources available were \$978,459 more than the final budgeted amount. The revenue increases were primarily due to higher property taxes and interest revenue.

Over the course of the year, the County's Grant Fund budget was not revised. Actual expenditures were \$6,704,981 less than final budgeted amounts. Resources available were \$1,950,790 more than final budgeted amount. The revenue increases were primarily due to increased intergovernmental and grants revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the County had invested \$31 million in a broad range of capital assets, including land, buildings, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$4.3 million, or 16.19% from last year.

Major events affecting capital assets during the year were:

- IT system upgrades
- Renovation to County buildings and a new Annex

More detailed information about the County's capital assets can be found in Note 5 of this report.

| | Governmental Activities | | Percent Change |
|---------------------------------------|-------------------------|----------------------|----------------|
| | 2023 | 2022 | |
| Land | \$ 2,097,627 | \$ 2,097,627 | 0.00% |
| Construction in progress | 18,100 | 5,681,248 | -99.68% |
| Buildings and improvements | 27,053,459 | 18,965,701 | 42.64% |
| Furniture and equipment | 26,293,890 | 22,877,991 | 14.93% |
| Right-to-use leased assets | 1,832,568 | 1,068,477 | 71.51% |
| Right-to-use SBITA assets | 111,306 | 17,730 | 527.78% |
| Total | 57,406,950 | 50,708,774 | 13.21% |
| Total accumulated depreciation | (26,327,586) | (23,959,950) | 9.88% |
| Net Capital Assets | \$ 31,079,364 | \$ 26,748,824 | 16.19% |

Long-Term Debt

At the end of the year, the County had \$2.9 million of long-term obligations.

| | Governmental Activities | | Percent Change |
|----------------------------|-------------------------|---------------------|----------------|
| | 2023 | 2022 | |
| Certificates of obligation | \$ 925,000 | \$ 1,405,000 | -34% |
| Leases Payable | 1,289,574 | 874,201 | 48% |
| SBITAs Payable | 73,246 | 17,730 | 313% |
| Compensated absences | 679,347 | 290,381 | 134% |
| Total | \$ 2,967,167 | \$ 2,587,312 | 15% |

During the year, Erath County's long-term obligations increased by \$379,855.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is approximately \$1.2 billion, which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long-term liabilities can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Erath County budget is developed annually and intended to provide efficient, effective, and controlled usage of the County's resources, as well as a means to accomplish the highest priorities of the Erath County Commissioners. Through the budget, the County Commissioners set the direction of the County, allocate its resources, and establish its priorities. The FY2024 Budget meets the key established policy directive of the Commissioners Court. The budget process was primarily focused on identifying various balancing strategies that impact services provided to the citizens of Erath County as minimally as possible.

Highlights from Erath County FY2024 Budget and anticipated expenses into FY2024 include the following:

- The tax rate adopted for the FY2024 budget/2023 Tax Year was set at \$.3927 per hundred-dollar valuation which was decreased from \$.4119 per hundred-dollar property valuation in the prior year.
- Debt obligation will be decreased in FY 2024 by \$470,000 leaving a balance of \$455,000. The current debt rate for Erath County is \$.0102 per hundred-dollar property valuation.
- The County's required retirement funding rate continues to decrease as management focuses on reducing the overall liability of the pension fund. Erath County should have a net pension asset within the next few years as opposed to the liability many entities are carrying on their books relating to their pension obligations. Currently the required rate to fund the pension is 7.68% and the county elects to fund it at 9.67%. This additional funding will continue to decrease the cost associated with maintaining a sound retirement account and allows the county to use these future savings to provide additional services for Erath County residents.
- Erath County has participated in the Texas County and District Retirement System since July 1968. During this time four COLA adjustments have been made which benefitted previously retired employees. The adjustments restore a portion of lost dollar values due to inflation, based on the Consumer Price Index at the time of the COLA. These COLA adjustments affect retired employees and their beneficiaries by adjusting their retirement payout from the date they retired up to the COLA application date. COLA adjustments were made in 2008, 2009, 2016 and 2019.
- In early 2021 the federal government passed the American Rescue Plan Act (ARPA), which delivered funding to state, local and Tribal governments across the county to support with response to the COVID-19 public health emergency. The County received \$4.1 million in 2021 and \$4.1 million in 2022. With the implementation of the ARPA Final Rule's provisions the County is able to use ARPA Recovery funds to replace lost revenue, using the funds to provide government services. The County is successfully allocating the funds towards various public initiatives, including, public health and welfare, local non-profit entities for the enrichment of life for seniors and less fortunate individuals in the community, increased fire protection, and enhanced communications capabilities for essential service providers throughout the county and surrounding counties.
- The county will continue to modernize the Law Enforcement vehicle fleet by leasing new vehicles at a lower annual cost of maintenance and upfront replacement costs. Vehicles for other emergency service providers will be secured with this budget as well. Providing new vehicles at a lower annual cost for our law enforcement officers and emergency personnel provides safer conditions for our officers and more reliable service to the public.
- Capital Improvements are budgeted for the Don Jones Justice Center and the new Joint Dispatch Facility.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, separate report of the County's component unit, or need any additional financial information, contact the County Auditor at 100 W. Washington, Stephenville, TX 76401.

Erath County, Texas
Statement of Net Position (Exhibit A-1)
September 30, 2023

| | Primary Government Governmental Activities | Component Unit Erath County Volunteer Fire Department |
|---|--|---|
| Assets | | |
| Cash and cash equivalents | \$ 35,524,689 | \$ 157,011 |
| Receivables (net of allowance for uncollectibles) | | |
| Property taxes | 242,728 | - |
| Sales taxes | 715,288 | - |
| Other | 379,685 | - |
| Inventories | 115,408 | - |
| Prepaid expenses | 125,607 | - |
| Net pension asset | 1,324,065 | - |
| Capital assets | | |
| Land | 2,097,627 | - |
| Construction in progress | 18,100 | - |
| Buildings and improvements, net | 17,480,196 | - |
| Furniture and fixtures, net | 10,098,527 | 130,678 |
| Right to use leased assets, net | 1,291,581 | - |
| Right to use SBITA assets, net | 93,333 | - |
| Total assets | <u>69,506,834</u> | <u>287,689</u> |
| Deferred outflows of resources | | |
| Deferred outflows - pension | 2,773,749 | - |
| Total deferred outflows | <u>2,773,749</u> | <u>-</u> |
| Liabilities | | |
| Accounts payable and other current liabilities | 1,676,857 | - |
| Payroll liabilities | 691,412 | 22,922 |
| Accrued interest payable | 4,428 | - |
| Other liabilities | 118,198 | - |
| Unearned revenue | 6,699,007 | - |
| Noncurrent liabilities | | |
| Due within one year | 912,130 | - |
| Due in more than one year | 2,055,037 | - |
| Total liabilities | <u>12,157,069</u> | <u>22,922</u> |
| Deferred inflows of resources | | |
| Deferred inflows - pension | 83,594 | - |
| Total deferred inflows | <u>83,594</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | 28,791,544 | 130,678 |
| Restricted for | | |
| Road and bridge | 6,013,640 | - |
| Enabling legislation | 2,493,294 | - |
| Retirement of debt | 134,576 | - |
| Pension | 1,324,065 | - |
| Public safety | - | 134,089 |
| Unrestricted | 21,282,801 | - |
| Total net position | <u>\$ 60,039,920</u> | <u>\$ 264,767</u> |

| Functions/Programs | Expenses | Program Revenues | | Capital Grants and Contributions |
|--|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | \$ 4,205,094 | \$ 987,740 | \$ 1,722,924 | \$ - |
| Judicial | 3,005,539 | 249,149 | 30,136 | - |
| Elections | 127,328 | 73,727 | - | - |
| Financial Administration | 1,487,694 | 222,256 | - | - |
| Legal | 887,179 | 30,710 | 173,982 | - |
| Law Enforcement | 10,917,743 | 787,755 | - | - |
| Road and bridge | 5,661,231 | 478,603 | 121,240 | - |
| Health and welfare | 979,703 | 325,658 | 48,173 | - |
| Parks and recreation | 141,400 | 108,731 | - | - |
| County extension service | 374,274 | - | - | - |
| Interest and fees on long-term debt | 39,540 | - | - | - |
| Total governmental activities | 27,826,725 | 3,264,329 | 2,096,455 | - |
| Total primary government | <u>\$ 27,826,725</u> | <u>\$ 3,264,329</u> | <u>\$ 2,096,455</u> | <u>\$ -</u> |
| Component Unit | | | | |
| Erath County Volunteer Fire | \$ 435,047 | \$ - | \$ 631,831 | \$ - |

Erath County, Texas
Statement of Activities (Exhibit A-2)
Year Ended September 30, 2023

| | Net (Expense) Revenue and Changes in Net Position | | Component Unit |
|--|--|----------------|--|
| | Primary Government | | |
| | Governmental Activities | Total | Erath County Volunteer Fire Department |
| | \$ (1,494,430) | \$ (1,494,430) | |
| | (2,726,254) | (2,726,254) | |
| | (53,601) | (53,601) | |
| | (1,265,438) | (1,265,438) | |
| | (682,487) | (682,487) | |
| | (10,129,988) | (10,129,988) | |
| | (5,061,388) | (5,061,388) | |
| | (605,872) | (605,872) | |
| | (32,669) | (32,669) | |
| | (374,274) | (374,274) | |
| | (39,540) | (39,540) | |
| | (22,465,941) | (22,465,941) | |
| | (22,465,941) | (22,465,941) | |
| | | | \$ 196,784 |
| General revenues | | | |
| Property taxes, levied for general purposes | 19,765,840 | 19,765,840 | - |
| Property taxes, levied for debt purposes | 553,595 | 553,595 | - |
| Sales and other taxes | 5,184,791 | 5,184,791 | - |
| Investment earnings | 1,746,546 | 1,746,546 | - |
| Miscellaneous income | 381,192 | 381,192 | - |
| Total general revenues | 27,631,964 | 27,631,964 | - |
| Change in net position | 5,166,023 | 5,166,023 | 196,784 |
| Net position at beginning of year, as restated | 54,873,897 | 54,873,897 | 67,983 |
| Net position at end of year | \$ 60,039,920 | \$ 60,039,920 | \$ 264,767 |

| | General Fund | Road and Bridge Fund | Grants Fund |
|---|----------------------|-------------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 16,555,576 | \$ 5,981,033 | \$ 7,145,320 |
| Receivables (net of allowances for uncollectibles) | | | |
| Property taxes | 176,935 | 58,995 | - |
| Sales taxes | 715,288 | - | - |
| Other | 199,376 | 170,314 | - |
| Fines and fees | 9,995 | - | - |
| Inventories | 99,706 | 15,702 | - |
| Prepaid expenses | 93,132 | 23,324 | - |
| Total assets | <u>\$ 17,850,008</u> | <u>\$ 6,249,368</u> | <u>\$ 7,145,320</u> |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities | | | |
| Accounts payable and other current liabilities | \$ 666,743 | \$ 175,822 | \$ 6,793 |
| Payroll liabilities | 630,412 | 59,906 | - |
| Unearned revenue | - | - | 6,699,007 |
| Other liabilities | 118,198 | - | - |
| Total liabilities | <u>1,415,353</u> | <u>235,728</u> | <u>6,705,800</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue - property tax | 161,549 | 54,697 | - |
| Unavailable revenue - fines and fees | 113,996 | - | - |
| Total deferred inflows of resources | <u>275,545</u> | <u>54,697</u> | <u>-</u> |
| Fund balances | | | |
| Nonspendable | | | |
| Inventories | 99,706 | 15,702 | - |
| Prepaid items | 93,132 | 23,324 | - |
| Restricted for | | | |
| Road and bridge | - | 5,919,917 | - |
| Enabling legislation | - | - | - |
| Retirement of debt | - | - | - |
| Committed for | | | |
| Judicial | - | - | - |
| Assigned for | | | |
| Construction | - | - | 439,520 |
| Capital Projects | - | - | - |
| Unassigned | 15,966,272 | - | - |
| Total fund balances | <u>16,159,110</u> | <u>5,958,943</u> | <u>439,520</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 17,850,008</u> | <u>\$ 6,249,368</u> | <u>\$ 7,145,320</u> |

See Notes to Financial Statements

Erath County, Texas
Balance Sheet – Governmental Funds (Exhibit A-3)
September 30, 2023

| Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------|--------------------------------|--------------------------------|
| \$ 2,381,512 | \$ 3,461,248 | \$ 35,524,689 |
| - | 6,798 | 242,728 |
| - | - | 715,288 |
| - | - | 369,690 |
| - | - | 9,995 |
| - | - | 115,408 |
| - | 9,151 | 125,607 |
| <u>\$ 2,381,512</u> | <u>\$ 3,477,197</u> | <u>\$ 37,103,405</u> |
| | | |
| \$ 727,742 | \$ 99,757 | \$ 1,676,857 |
| - | 1,094 | 691,412 |
| - | - | 6,699,007 |
| - | - | 118,198 |
| <u>727,742</u> | <u>100,851</u> | <u>9,185,474</u> |
| | | |
| - | 6,256 | 222,502 |
| - | - | 113,996 |
| <u>-</u> | <u>6,256</u> | <u>336,498</u> |
| | | |
| - | - | 115,408 |
| - | 9,151 | 125,607 |
| - | - | 5,919,917 |
| - | 2,493,294 | 2,493,294 |
| - | 123,597 | 123,597 |
| - | 744,048 | 744,048 |
| - | - | 439,520 |
| 1,653,770 | - | 1,653,770 |
| - | - | 15,966,272 |
| <u>1,653,770</u> | <u>3,370,090</u> | <u>27,581,433</u> |
| | | |
| <u>\$ 2,381,512</u> | <u>\$ 3,477,197</u> | <u>\$ 37,103,405</u> |

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit A-4)
September 30, 2023

| | | |
|---|----|------------|
| Total Fund Balance - Governmental Funds | \$ | 27,581,433 |
|---|----|------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

| | | |
|-----------------------------|---------------------|------------|
| Governmental capital assets | 57,406,950 | |
| Accumulated depreciation | <u>(26,327,586)</u> | 31,079,364 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Similarly, the net pension asset is not reported in the funds

| | | |
|----------------------------|------------------|-------------|
| Certificates of obligation | (925,000) | |
| Compensated absences | (679,347) | |
| Lease liability | (1,289,574) | |
| SBITA liability | (73,246) | |
| Net pension asset | <u>1,324,065</u> | (1,643,102) |

| | |
|---|---------|
| Interest payable on long-term debt does not require financial resources; therefore interest payable is not reported as a liability in the governmental funds balance sheet. | (4,428) |
|---|---------|

Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.

| | | |
|---|------------------|-----------|
| Deferred inflow of resources - pension | (83,594) | |
| Deferred outflow of resources - pension | <u>2,773,749</u> | 2,690,155 |

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

| | | |
|--|----------------|----------------|
| Unavailable revenue - office fees receivable | 113,996 | |
| Unavailable revenue - property taxes | <u>222,502</u> | <u>336,498</u> |

| | | |
|---|----|--------------------------|
| Net Position of Governmental Activities - Statement of Net Position | \$ | <u><u>60,039,920</u></u> |
|---|----|--------------------------|

| | General Fund | Road and Bridge Fund | Grants Fund |
|--|----------------------|-------------------------|-------------------|
| Revenues | | | |
| Taxes | | | |
| Property | \$ 14,760,208 | \$ 4,974,190 | \$ - |
| Other | 4,781,401 | 403,390 | - |
| Penalty and interest | 132,509 | 44,476 | - |
| Intergovernmental and grants | 318,286 | 121,240 | 1,626,793 |
| Fines and fees | 2,304,477 | 448,980 | - |
| Investment earnings | 989,394 | 232,369 | 353,997 |
| Miscellaneous | 194,020 | 62 | - |
| Total revenues | <u>23,480,295</u> | <u>6,224,707</u> | <u>1,980,790</u> |
| Expenditures | | | |
| Current | | | |
| General government | 2,973,531 | - | - |
| Judicial | 1,054,745 | - | 1,626,793 |
| Financial administration | 1,501,906 | - | - |
| Law enforcement | 10,125,171 | - | - |
| Elections | 68,403 | - | - |
| Legal | 848,766 | - | - |
| Road and bridge | 75,923 | 4,716,511 | - |
| Health and welfare | 980,563 | - | - |
| Culture and recreation | 141,400 | - | - |
| County extension services | 376,674 | - | - |
| Debt service | | | |
| Debt principal | 376,591 | 16,284 | - |
| Debt interest and agent fees | 18,321 | 2,543 | - |
| Capital outlay | | | |
| Capital outlay | <u>1,235,119</u> | <u>354,686</u> | <u>-</u> |
| Total expenditures | <u>19,777,113</u> | <u>5,090,024</u> | <u>1,626,793</u> |
| Excess (deficiency) of revenues over (under) expenditures | 3,703,182 | 1,134,683 | 353,997 |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | (2,385,000) | - | - |
| Proceeds from SBITA and lease issuance | 863,764 | - | - |
| Proceeds from sales of assets | 26,400 | 12,330 | - |
| Total other financing sources (uses) | <u>(1,494,836)</u> | <u>12,330</u> | <u>-</u> |
| Net change in fund balance | 2,208,346 | 1,147,013 | 353,997 |
| Fund balance at beginning of year | <u>13,950,764</u> | <u>4,811,930</u> | <u>85,523</u> |
| Fund balance at end of year | <u>\$ 16,159,110</u> | <u>\$ 5,958,943</u> | <u>\$ 439,520</u> |

See Notes to Financial Statements

Erath County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit A-5)

Year Ended September 30, 2023

| Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------|--------------------------------|--------------------------------|
| \$ - | \$ 553,097 | \$ 20,287,495 |
| - | - | 5,184,791 |
| - | 4,384 | 181,369 |
| - | 30,136 | 2,096,455 |
| 13,553 | 395,815 | 3,162,825 |
| 122,398 | 48,388 | 1,746,546 |
| - | 5,741 | 199,823 |
| <u>135,951</u> | <u>1,037,561</u> | <u>32,859,304</u> |
| - | 61,831 | 3,035,362 |
| - | 343,965 | 3,025,503 |
| - | - | 1,501,906 |
| - | 23,399 | 10,148,570 |
| - | 58,952 | 127,355 |
| - | 38,413 | 887,179 |
| - | - | 4,792,434 |
| - | - | 980,563 |
| - | - | 141,400 |
| - | - | 376,674 |
| - | 480,000 | 872,875 |
| - | 27,960 | 48,824 |
| <u>5,121,387</u> | <u>198,276</u> | <u>6,909,468</u> |
| <u>5,121,387</u> | <u>1,232,796</u> | <u>32,848,113</u> |
| (4,985,436) | (195,235) | 11,191 |
| 2,000,000 | 385,000 | 2,385,000 |
| - | - | (2,385,000) |
| - | - | 863,764 |
| - | - | 38,730 |
| <u>2,000,000</u> | <u>385,000</u> | <u>902,494</u> |
| (2,985,436) | 189,765 | 913,685 |
| <u>4,639,206</u> | <u>3,180,325</u> | <u>26,667,748</u> |
| <u>\$ 1,653,770</u> | <u>\$ 3,370,090</u> | <u>\$ 27,581,433</u> |

Erath County, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit A-6) Year Ended September 30, 2023

| | | |
|---|------------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 913,685 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. | | |
| Capital outlay | 6,938,204 | |
| Principal payments on long-term debt, leases, and SBITAs | <u>872,875</u> | 7,811,079 |
| Depreciation and amortization is not recognized as expenditures in governmental funds since neither require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position. | | |
| | | (2,596,485) |
| Governmental funds recognize all amounts received on the sale of fixed assets as a gain. However, in the statement of activities, the gain or loss is offset by the remaining net book value of the disposed assets. | | |
| | | (11,179) |
| Proceeds from leases and SBITAs are reported as other financing sources in the fund financial statements but are shown as long term liabilities in the government-wide financial statements. | | |
| | | (863,764) |
| Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense must be recognized. | | |
| Change in contributions made after measurement date | 60,609 | |
| Pension expense | <u>98,316</u> | 158,925 |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. | | |
| Decrease in unavailable office fines and fees | 101,504 | |
| Increase in unavailable tax revenues | 31,940 | |
| Decrease in accrued interest | 9,284 | |
| Increase in compensated absences | <u>(388,966)</u> | (246,238) |
| Change in Net Position of Governmental Activities - Statement of Activities | | <u>\$ 5,166,023</u> |

Erath County, Texas
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit A-7)
September 30, 2023

| | Custodial Funds |
|--|----------------------------|
| Assets | |
| Cash and investments | \$ 2,528,903 |
| Total assets | <u>2,528,903</u> |
| Liabilities | |
| Total liabilities | <u>-</u> |
| Net position | |
| Restricted for individuals, organizations, or other governments | <u>2,528,903</u> |
| Total net position | <u><u>\$ 2,528,903</u></u> |

Erath County, Texas
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds (Exhibit A-8)
September 30, 2023

| | Custodial Funds |
|--|--------------------|
| Additions | |
| Tax collections for other governments | \$ 77,474,572 |
| Vehicle registration fees | 11,368,339 |
| Licenses, fees, fines for other governments | 5,086,680 |
| Collections for individuals and others | 2,449,917 |
| | <hr/> |
| Total additions | 96,379,508 |
| Deductions | |
| Tax payments - other governments | 77,473,361 |
| Vehicle registration payments made to state | 11,465,999 |
| CSCD program costs | 1,892,494 |
| Other disbursements | 6,238,451 |
| | <hr/> |
| Total deductions | 97,070,305 |
| | <hr/> |
| Change in net position | (690,797) |
| Net position, beginning of year, as restated | 3,219,700 |
| | <hr/> |
| Net position, end of year | \$ 2,528,903 |
| | <hr/> <hr/> |

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Erath County, Texas is a state mandated governmental unit of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general, judicial (courts, juries, etc.), financial administration, elections, legal (district attorney, county attorney, etc.), law enforcement (sheriff, jail, etc.), road and bridge, health and welfare, parks and recreation, and county extension services.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either there is ongoing financial benefit or burden or operational responsibility. A primary government might also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has operational responsibility for an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Based on these criteria, the County has one component unit: the Erath County Volunteer Fire Department (VFD). The VFD is governed by a five-member board of directors approved by Commissioners' Court. Additional information about the VFD is contained in the MD&A. The County is not a component unit of any other reporting entity as defined by the GASB Statement. Complete financial statements of the VFD can be obtained from their administrative offices.

Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Erath County nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from custodial funds on the government-wide Statement of Net Position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles.

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

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

Fund Accounting

The County reports the following major governmental funds:

General Fund – The General Fund is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Road & Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to receive and expend the property tax, farm to market taxes, and lateral road monies that are used for precinct road operations.

Grants Fund – The Grants Fund is a special revenue fund that is used to account for resources restricted by the grantor agencies.

Capital Projects Fund – The Capital Projects Fund is used to account for resources that are restricted for the payment of capital projects.

Additionally, the County reports the following non-major fund types:

Governmental Funds

Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Debt Service Fund – These funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt resulting from the construction of the County Jail.

Fiduciary Funds

Custodial Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

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

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a “Property Tax Code” and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

As of October 1, 1981, the appraisal of property within the County is the responsibility of Erath County Appraisal District. The Erath County Tax Assessor-Collector assesses and collects the County’s property taxes. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District based on 100% of its appraised value and is prohibited from applying any assessment rations. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. Beginning with the 2020 property tax year and effective for the 2021 County budget year, a county may not raise the calculated tax rate which produces “No-New Revenue” from the previous tax year by more than 3.5% or the rate must be approved by the voters. The new terminology adopted by the State of Texas related to this Truth in Taxation bill is called “No-New Revenue” and “Voter-Approval” tax rates. In previous years these rates were called “Effective Tax” and “Roll-Back” tax rates. Debt service is not a component of the calculations when considering the Voter-Approval rates as the public already approved the debt rate through a vote.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

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

The tax rate assessed for the year ended September 30, 2023, to finance maintenance and operations of the county, service debt of the County, and Road and Bridge were \$0.2995, \$.0122, and \$0.1012 respectively, for a total of \$0.4119 per \$100 valuation.

Property tax revenues are recorded as receivables and deferred revenue at the time the tax levy is billed. Revenues are recognized as the related property taxes are collected and are prorated between maintenance and debt service based on the rates adopted for the year of the levy. Allowances for uncollectible within funds are based upon historical experience in collecting property taxes.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 and a useful life of two years or more is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|-------------|
| Buildings | 30-40 years |
| Furniture and equipment | 3-15 years |

Right to use leased assets are recognized at the lease commencement date and represent the County's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 5 to 6 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the County's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 3 years.

Receivables and Payables Balances

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

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

Compensated Absences

A liability for unused vacation and comp time 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:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

County policy allows accrual of vacation and sick pay benefits for all employees other than elected and appointed officials. The expense of the benefits is recognized when incurred. Vacation pay is paid upon termination if the employee gives two weeks' notice or is terminated by the County.

Ten percent of sick pay is paid upon termination. At September 30, 2023, the value of accumulated vacation benefits was \$574,135 and the value of accumulated sick pay benefits was approximately \$105,212 for a total of \$679,347.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In fund financial statements, the face amount of debt issued is reported as other financing sources.

Lease liabilities represent the County's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the County.

Subscription Liabilities represent the county's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the County.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

Fund Balance

The County classifies governmental fund balance in the following categories:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2023, the County had \$125,607 in nonspendable fund balance for prepaid items and \$115,408 in nonspendable fund balance for inventories.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance restricted for specific programs included road and bridge, enabling legislation, and retirement of debt and totaled \$5,919,917, \$2,493,294, and \$123,597, respectively, as of September 30, 2023.

Committed fund balance is established, rescinded, and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. Fund balance committed for judicial purposes totaled \$744,048 at September 30, 2023.

Assigned fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. Fund balance assigned for specific programs included construction, and capital projects and totaled \$439,520, and \$1,653,770, respectively, as of September 30, 2023.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The County's net position is composed of the following:

Net investment in capital assets is the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets.

Restricted is the component of net position that reports the difference between assets and liabilities that are subject to externally enforceable legal restrictions.

Unrestricted is the component of net position that reports the difference between the assets and liabilities that are not reported in net position invested in capital assets or restricted net position.

The County uses restricted amounts first when both restricted and unrestricted net position is available.

Implementation of GASB Statement No. 96

As of October 1, 2022, the County adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 12 and the additional disclosures required by this standard is included in Note 7 and 13.

Note 2 - Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 3 - Deposits and Investments

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

A. Deposits

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

B. Investments

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

The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices.

At September 30, 2023, the carrying amount of all deposits and investments held by the County was:

| | Carrying Value | Maturity | Credit Quality Rating |
|-------------------------|----------------------|--------------------------|--------------------------|
| Pooled cash | \$ 7,835,226 | N/A | N/A |
| TexPool | 24,137,348 | <60 days - Weighted Avg. | AAAm |
| LOGIC | 3,093,018 | <60 days - Weighted Avg. | AAA |
| Certificates of deposit | 2,988,000 | < 1 year | N/A |
| | <u>\$ 38,053,592</u> | | |

The County is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest. LOGIC invests in treasury and agency securities and repurchase agreements as well as prime commercial paper. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective. LOGIC uses amortized cost rather than market value to report net assets to compute share prices.

C. Investment Accounting Policy

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits

This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2023 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

Concentration of Credit Risk

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

Note 4 - Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

| | Property Taxes | Sales Tax | Fines and Fees | Other Receivables | Total Receivables |
|--|-------------------|----------------|-------------------|----------------------|----------------------|
| Governmental Funds | | | | | |
| General fund | \$ 272,570 | \$ 715,288 | \$ 99,950 | \$ 199,376 | \$ 1,287,184 |
| Road & bridge | 91,803 | - | - | 170,314 | 262,117 |
| Nonmajor governmental funds | 11,282 | - | - | - | 11,282 |
| Gross receivables | 375,655 | 715,288 | 99,950 | 369,690 | 1,560,583 |
| Less: allowance for uncollectibles | (132,927) | - | (89,955) | - | (222,882) |
| Total governmental funds | <u>242,728</u> | <u>715,288</u> | <u>9,995</u> | <u>369,690</u> | <u>1,337,701</u> |
| Amounts not scheduled for collection during the subsequent year | <u>\$ 222,502</u> | <u>\$ -</u> | <u>\$ 113,996</u> | <u>\$ -</u> | <u>\$ 336,498</u> |

Note 5 - Capital Assets

Capital asset activity for the period ended September 30, 2023 was as follows:

| | Beginning Balance (Restated) | Additions | Retirements | Ending Balance |
|--|---------------------------------|----------------------|------------------------|----------------------|
| Governmental activities | | | | |
| Non-depreciable assets | | | | |
| Land | \$ 2,097,627 | \$ - | \$ - | \$ 2,097,627 |
| Construction in progress | 5,681,248 | 5,175,751 | (10,838,899) | 18,100 |
| Total non-depreciable assets | 7,778,875 | 5,175,751 | (10,838,899) | 2,115,727 |
| Depreciable assets | | | | |
| Buildings and improvements | 18,965,701 | 8,087,758 | - | 27,053,459 |
| Furniture and equipment | 22,877,991 | 3,654,195 | (238,296) | 26,293,890 |
| Total depreciable assets | 41,843,692 | 11,741,953 | (238,296) | 53,347,349 |
| Total at historic cost | 49,622,567 | 16,917,704 | (11,077,195) | 55,463,076 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 9,088,803 | 484,460 | - | 9,573,263 |
| Furniture and equipment | 14,669,592 | 1,752,888 | (227,117) | 16,195,363 |
| Total accumulated depreciation | 23,758,395 | 2,237,348 | (227,117) | 25,768,626 |
| Net depreciable capital assets | 18,085,297 | 9,504,605 | (11,179) | 27,578,723 |
| Right-to-use leased assets being amortized | | | | |
| Furniture and equipment | 1,068,477 | 765,823 | (1,732) | 1,832,568 |
| Total right-to-use leased assets | 1,068,477 | 765,823 | (1,732) | 1,832,568 |
| Less accumulated amortization | | | | |
| Furniture and equipment | 201,555 | 341,164 | (1,732) | 540,987 |
| Total accumulated amortization | 201,555 | 341,164 | (1,732) | 540,987 |
| Net right-to-use leased assets | 866,922 | 424,659 | - | 1,291,581 |
| Right-to-use SBITA assets being amortized | | | | |
| SBITA | 17,730 | 93,576 | - | 111,306 |
| Total right-to-use SBITA assets | 17,730 | 93,576 | - | 111,306 |
| Less accumulated amortization | | | | |
| SBITA | - | 17,973 | - | 17,973 |
| Total accumulated amortization | - | 17,973 | - | 17,973 |
| Net right-to-use leased assets | 17,730 | 75,603 | - | 93,333 |
| Governmental activities capital assets, net | <u>\$ 26,748,824</u> | <u>\$ 15,180,618</u> | <u>\$ (10,850,078)</u> | <u>\$ 31,079,364</u> |

Depreciation and amortization was charged to functions as follows:

| | |
|--------------------|---------------------|
| General government | \$ 792,891 |
| Judicial | 424 |
| Law enforcement | 881,103 |
| Road and bridge | 922,067 |
| | <u>\$ 2,596,485</u> |

Capital asset activity for the discretely presented component unit (Erath County Volunteer Fire Department) was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|----------------------|-------------------|-------------|-------------------|
| Discretely presented component unit (VFD) | | | | |
| Depreciable assets | | | | |
| Furniture and equipment | \$ 125,528 | \$ 168,486 | \$ - | \$ 294,014 |
| Total depreciable assets | 125,528 | 168,486 | - | 294,014 |
| Less accumulated depreciation | | | | |
| Furniture and equipment | (117,711) | (45,625) | - | (163,336) |
| Total accumulated depreciation | (117,711) | (45,625) | - | (163,336) |
| Net depreciable capital assets | <u>\$ 7,817</u> | <u>\$ 122,861</u> | <u>\$ -</u> | <u>\$ 130,678</u> |

Note 6 - Interfund Balances and Activity

Transfers to and From Other Funds

Transfers to and from other funds at September 30, 2023, consisted of the following:

Transfers from General fund to:

| | |
|--------------------------------|---------------------|
| Capital projects fund | \$ 2,000,000 |
| Nonmajor special revenue funds | 385,000 |
| | <u>\$ 2,385,000</u> |

Transfers from the general fund provide additional funding for special projects.

Note 7 - Long-Term Obligations

The County's long-term debt consists of certificates of obligation and leases payable. Other long-term debt consists of the accrued liability for employee vested compensated absences. Expenditures for the debt service requirements of the certificates of obligation are accounted for in the Debt Service Fund. Expenditures for the debt service requirements of the leases are accounted for in the General Fund and the Road and Bridge Fund. The general fund is typically used to liquidate the liabilities for compensated absences.

A. Certificates of Obligation

During the year ended September 30, 2010, the Erath County Commissioners' Court determined that certificates of obligation should be issued pursuant to the provisions of the Certificates of Obligation Act of 1971, Section 271.046, Texas Local Government Code, for the purpose of (1) construction and renovation of the Erath County Jail and (2) professional services rendered in relation to the building project and the financing thereof. The County issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010 to provide funds for the aforementioned projects including the renovation and making improvements to the County Jail building, and to pay costs related to the issuance of the Certificates. The County issued the General Obligation Refunding Bonds, Series 2020 dated January 1, 2020, due in annual installments through April 1, 2025, bearing an interest rate of 1.99%.

The following are certificates outstanding at September 30, 2023:

| | Interest Rate | Date of Issue | Date of Maturity | Amount Outstanding |
|---|------------------|------------------|---------------------|-----------------------|
| Certificates of Obligation, Series 2020 | 1.99% | 2020 | 2025 | \$ 925,000 |

The following table summarizes the annual debt requirements of the certificates of obligation at September 30, 2023, to maturity:

| Year Ending September 30 | Total Principal | Total Interest | Total Requirements |
|--------------------------|--------------------|-------------------|-----------------------|
| 2024 | \$ 470,000 | \$ 18,408 | \$ 488,408 |
| 2025 | 455,000 | 9,055 | 464,055 |
| Total | <u>\$ 925,000</u> | <u>\$ 27,463</u> | <u>\$ 952,463</u> |

Current requirements for indebtedness of the County are accounted for in the Debt Service Fund.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

| | Beginning Balance (Restated) | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------------|---------------------|-----------------------|---------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds, loans and leases payable | | | | | |
| Certificate of Obligations, | | | | | |
| Series 2010 | \$ 1,405,000 | \$ - | \$ (480,000) | \$ 925,000 | \$ 470,000 |
| Leases | 874,201 | 770,188 | (354,815) | 1,289,574 | 417,287 |
| SBITAs | 17,730 | 93,576 | (38,060) | 73,246 | 24,843 |
| Other liabilities | | | | | |
| Compensated absences | 290,381 | 597,745 | (208,779) | 679,347 | - |
| Total Governmental Activities | <u>\$ 2,587,312</u> | <u>\$ 1,461,509</u> | <u>\$ (1,081,654)</u> | <u>\$ 2,967,167</u> | <u>\$ 912,130</u> |

Remaining principal and interest payments on leases and SBITAs are as follows:

| Year Ending September 30 | Total Principal | Total Interest | Total Requirements |
|--------------------------|---------------------|-------------------|-----------------------|
| 2024 | \$ 442,130 | \$ 30,608 | \$ 472,738 |
| 2025 | 401,602 | 19,857 | 421,459 |
| 2026 | 293,630 | 10,143 | 303,773 |
| 2027 | 147,271 | 4,204 | 151,475 |
| 2028 | 78,187 | 985 | 79,172 |
| Total | <u>\$ 1,362,820</u> | <u>\$ 65,797</u> | <u>\$ 1,428,617</u> |

Note 8 - Risk Management

The County has risk exposure in various areas including general liability, workers compensation, automobile liability, property damage, etc. To reduce its risk exposure in these areas, the County is a member of Texas Association of Counties Risk Pool ("the Pool") for liability, property, and worker's compensation. The Pool is a public entity risk pool and was created based on the general objectives of formulating, developing, and administering a program of self-insurance for membership and obtaining lower costs for coverage. The Pool coverage is offered through interlocal agreements between the Pool and counties. The Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties, which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document, which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

Health Care

During the year ended September 30, 2023, the employees of the County were covered by a health insurance plan. Employees had the option of participating in PPO provider plan. Employees, at their option, authorize payroll withholdings to pay remaining premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51.2 of the Texas Insurance Code and was documented by contractual agreement.

Note 9 - Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted 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 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

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

Membership

County membership in the TCDRS plan at December 31, 2022 consisted of the following:

| | |
|--|-----|
| Inactive Employees' Accounts | |
| Receiving benefits | 142 |
| Entitled to but not yet receiving benefits | 202 |
| | 344 |
| Total | 344 |
| Active Employees' Accounts | 213 |

Contributions

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

| Contribution Rates | 2022 | 2023 |
|------------------------|------------|------------|
| Member | 7.00% | 7.00% |
| Employer | 9.20% | 9.40% |
| Employer contributions | \$ 870,625 | \$ 982,180 |
| Member contributions | 661,431 | 729,859 |

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-------------------------------------|
| Valuation Date | December 31, 2022 |
| Actuarial cost method | Entry age (level percentage of pay) |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 5.9 years |
| Asset valuation method | 5 year smoothed market |
| Discount rate | 7.60% |
| Long-term expected investment rate of return* | 7.50% |
| Salary increases* | 4.70%, average |
| Payroll growth rate | 3.00% |

**Includes inflation of 2.50%*

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Disability rates for males and females were as follows:

| Age | Male and Female Occupational | Male and Female All Other Causes |
|--------------|---------------------------------|-------------------------------------|
| less than 25 | 0.001% | 0.000% |
| 25 | 0.001 | 0.003 |
| 26 | 0.001 | 0.006 |
| 27 | 0.001 | 0.009 |
| 28 | 0.001 | 0.011 |
| 29 | 0.001 | 0.013 |
| 30 | 0.001 | 0.014 |
| 31 | 0.001 | 0.016 |
| 32 | 0.001 | 0.018 |
| 33 | 0.001 | 0.020 |
| 34 | 0.001 | 0.023 |
| 35 | 0.001 | 0.025 |
| 36 | 0.001 | 0.028 |
| 37 | 0.001 | 0.030 |
| 38 | 0.001 | 0.034 |
| 39 | 0.001 | 0.038 |
| 40 | 0.001 | 0.042 |
| 41 | 0.001 | 0.046 |
| 42 | 0.001 | 0.050 |
| 43 | 0.001 | 0.058 |
| 44 | 0.001 | 0.066 |
| 45 | 0.001 | 0.074 |
| 46 | 0.001 | 0.082 |
| 47 | 0.001 | 0.090 |
| 48 | 0.001 | 0.099 |
| 49 | 0.001 | 0.108 |
| 50 | 0.001 | 0.117 |
| 51 | 0.001 | 0.126 |
| 52 | 0.001 | 0.135 |
| 53 | 0.001 | 0.144 |
| 54 | 0.001 | 0.153 |
| 55 | 0.001 | 0.162 |
| 56 | 0.001 | 0.171 |
| 57 | 0.001 | 0.180 |
| 58 | 0.001 | 0.189 |
| 59 | 0.001 | 0.198 |
| 60 and above | - | - |

Mortality rates for depositing members were based on 135% of 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, and non-depositing members were based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirement rates for males and females were as follows:

| Age | Active Scv | | | | Deferred |
|------------|---------------|-------|-------|-------|----------|
| | Active Scv<15 | 15-24 | 25-29 | 30+ | All Svc |
| 40-49 | 5.3% | 6.3% | 7.7% | 8.8% | 0.0% |
| 50-51 | 5.6 | 6.8 | 8.3 | 9.4 | - |
| 52-53 | 6.0 | 7.2 | 8.8 | 10.0 | - |
| 54-56 | 6.8 | 8.1 | 9.9 | 11.3 | - |
| 57-59 | 7.5 | 9.0 | 11.0 | 12.5 | - |
| 60-61 | 9.0 | 10.8 | 13.2 | 15.0 | 12.0 |
| 62 | 13.5 | 16.2 | 19.8 | 22.5 | 18.0 |
| 63-64 | 11.3 | 13.5 | 16.5 | 18.8 | 15.0 |
| 65-66 | 22.5 | 22.5 | 27.5 | 27.5 | 25.0 |
| 67 | 21.6 | 21.6 | 26.4 | 26.4 | 24.0 |
| 68-69 | 18.9 | 18.9 | 23.1 | 23.1 | 21.0 |
| 70-74 | 20.7 | 20.7 | 25.3 | 25.3 | 23.0 |
| 75 & Above | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017 - 2020. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2021.

There were no changes in methods or assumptions reflected in the December 31, 2022 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability did not change from the rate used in the prior year valuation, 7.60%.

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the 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 cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

| Asset Class | Benchmark | Target Allocation ^a | Geometric Real Rate of Return ^b |
|------------------------------------|---|--------------------------------|--|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.95% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.95% |
| International Equities – Developed | MSCI World Ex USA (net) Index | 5.00% | 4.95% |
| International Equities – Emerging | MSCI Emerging Markets (net) Index | 6.00% | 4.95% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | 2.40% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 9.00% | 3.39% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.95% |
| Distressed Debt | Cambridge Associates Distressed Securities Index ^c | 4.00% | 7.60% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 4.15% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.30% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ^d | 6.00% | 5.70% |
| Private Equity | Cambridge Associates Global Private Equity and Venture Capital Index ^e | 25.00% | 7.95% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 2.90% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | 20.00% |

^a Target asset allocation adopted at the March 2023 TCDRS Board meeting.

^b Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

^c Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

^d Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

^e Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

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

At September 30, 2023, the County reported a net pension asset of \$1,324,065 for its net pension asset measured at December 31, 2022. For the year ended September 30, 2023, the County recognized pension expense of \$858,605.

Changes to the real rate of return, inflation, long-term investment return, and the payroll growth assumptions affected measurement of the total pension liability during the measurement period.

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

Changes in the net pension liability/(asset) for the year ended December 31, 2022 are as follows:

| Changes in Net Pension Liability / (Asset) | Increase (Decrease) | | |
|--|-----------------------------|----------------------------|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a) - (b) |
| Balances at December 31, 2021 | \$ 50,882,921 | \$ 59,366,573 | \$ (8,483,652) |
| Changes for the year | | | |
| Service cost | 1,257,662 | - | 1,257,662 |
| Interest on total pension liability ^f | 3,872,664 | - | 3,872,664 |
| Effect of plan changes ^g | - | - | - |
| Effect of economic/demographic gains or losses | 170,387 | - | 170,387 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (111,277) | (111,277) | - |
| Benefit payments | (2,301,859) | (2,301,859) | - |
| Administrative expenses | - | (32,286) | 32,286 |
| Member contributions | - | 689,596 | (689,596) |
| Net investment income | - | (3,414,783) | 3,414,783 |
| Employer contributions | - | 956,921 | (956,921) |
| Other ^h | - | (58,322) | 58,322 |
| Balances as of December 31, 2022 | <u>\$ 53,770,498</u> | <u>\$ 55,094,563</u> | <u>\$ (1,324,065)</u> |

^fReflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

^gNo plan changes valued.

^hRelates to the allocation of system-wide items.

Discount Rate Sensitivity Analysis

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

| | 1% Decrease (6.60%) | Discount Rate (7.60%) | 1% Increase (8.60%) |
|---------------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 60,530,378 | \$ 53,770,498 | \$ 48,088,950 |
| Fiduciary net position | 55,094,563 | 55,094,563 | 55,094,563 |
| Net pension liability / (asset) | <u>\$ 5,435,815</u> | <u>\$ (1,324,065)</u> | <u>\$ (7,005,613)</u> |

At September 30, 2023, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|-------------------------------------|--------------------------------------|
| Differences between expected and actual economic experience | \$ 24,592 | \$ 196,846 |
| Changes of assumptions | 59,002 | 662,682 |
| Net difference between projected and actual earnings | - | 1,158,686 |
| Contributions paid to TCDRS subsequent to the measurement date | - | 755,535 |
| Total | <u>\$ 83,594</u> | <u>\$ 2,773,749</u> |

\$755,535 reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2024. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| <u>Year ended September 31</u> | |
|--------------------------------|---------------------|
| 2024 | \$ 90,974 |
| 2025 | 50,944 |
| 2026 | 213,770 |
| 2027 | 1,578,932 |
| 2028 | - |
| Thereafter | - |
| Total | <u>\$ 1,934,620</u> |

Note 10 - Leases

The County has entered into fifty-seven lease agreements for various vehicles, copiers, and other equipment. The leases range in terms from 22 to 60 months and the County is required to make monthly principal and interest payments ranging from \$60 to \$1,602 through January 2029. The lease liabilities were valued using discount rates between 0.328% and 4.80% based on the County's incremental borrowing rate at the inception of the leases.

Note 11 - Tax Abatements

As of September 30, 2023, Erath County provides tax abatements through the Texas Property Redevelopment and Tax Abatement Act, V.A.T.S Tax Code Chapter 312: The Texas Property Redevelopment and Tax Abatement Act Chapter 312 of the Tax Code authorizes local taxing units, other than school districts, at their discretion to offer temporary property tax exemptions for improvements to existing property. For Texas Counties, property may be exempted for up to 10 years with property tax exemptions at an amount up to 100%.

Texas Law - Article VIII, Section 1-g (a) The Legislature by general law may authorize cities, towns, and other taxing units to grant exemptions or other relief from ad valorem taxes on property located in a reinvestment zone for the purpose of encouraging development or redevelopment and improvement of the property.

Erath County has two such abatements as of September 30, 2023:

Equibrand Products Group LP

| | |
|-----------------------------------|---|
| Established | 2018 |
| Expiration | 2026 |
| Term | 9 years |
| Abated value of real property | \$ 3,529,170 |
| Abated value of personal property | \$ 1,646,690 |
| Property taxes abated | \$ 22,541 |
| Abatement percent real property | Variable 100% in year one to 25% in year nine |
| Abatement percent equipment | Variable 100% in year one to 25% in year nine |

FMC Technologies, Inc (FMCTECHNIP)

| | |
|-----------------------------------|---|
| Established | 2021 |
| Expiration | 2031 |
| Term | 10 years |
| Abated value of real property | \$ 2,500,000 |
| Abated value of personal property | \$ 3,000,000 |
| Property taxes abated | \$ 23,953 |
| Abatement percent real property | Variable 70% in year one to 50% in year ten |
| Abatement percent equipment | Variable 70% in year one to 50% in year ten |

Note 12 - Adoption of New Standard

As of October 1, 2022, the County adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

| | Governmental Activities |
|--|----------------------------|
| Net position at October 1, 2022, as previously reported | \$ 54,873,897 |
| Add right-to-use intangible asset, net of amortization under GASB Statement No. 96 at October 1, 2022 | 17,730 |
| Add lease liability under GASB Statement No. 96 at October 1, 2022 | (17,730) |
| Net position at October 1, 2022, as restated | <u>\$ 54,873,897</u> |

Note 13 - Subscription-Based Information Technology Arrangements

The County has entered into four subscription-based information technology arrangement contracts for software. The County is required to make principal and interest payments through December 2028. The subscription-based information technology arrangement liability was valued using discount rates between 2.4780% and 3.3780% based on the County's incremental borrowing rate at the inception of the leases.

Note 14 - Contingencies

The County is a party to legal proceedings that allege violations of gender and race discriminations . Management intends to vigorously defend the case and believes that there will be no material effect on the financial condition of the District. Legal advice obtained as of the date of the financial statements indicated that should the plaintiff prevail, the County could experience a loss; however, no range of loss can be estimated. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.



Required Supplementary Information
September 30, 2023

Erath County, Texas

Erath County, Texas
Budgetary Comparison Schedule – General Fund (Exhibit B-1)
Year Ended September 30, 2023

| | Budget Amounts | | | Variance |
|------------------------------------|--------------------|-----------------|---------------|----------------------|
| | Original Budget | Final Budget | Actual | from Final Budget |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 13,253,005 | \$ 13,253,005 | \$ 14,760,208 | \$ 1,507,203 |
| Other taxes | 3,150,000 | 3,150,000 | 4,781,401 | 1,631,401 |
| License and permits | 85,000 | 85,000 | 132,509 | 47,509 |
| Intergovernmental and grants | 211,792 | 211,792 | 318,286 | 106,494 |
| Fines and fees | 1,898,500 | 1,898,500 | 2,304,477 | 405,977 |
| Rents and recoveries | - | - | - | - |
| Investment earnings | 100,000 | 100,000 | 989,394 | 889,394 |
| Miscellaneous | - | - | 194,020 | 194,020 |
| Total revenues | 18,698,297 | 18,698,297 | 23,480,295 | 4,781,998 |
| Expenditures | | | | |
| Current | | | | |
| General government | 4,171,335 | 3,945,150 | 2,973,531 | 971,619 |
| Judicial | 1,085,873 | 1,100,843 | 1,054,745 | 46,098 |
| Elections | 100,601 | 100,601 | 68,403 | 32,198 |
| Financial administration | 1,653,421 | 1,653,460 | 1,501,906 | 151,554 |
| Law enforcement | 10,484,566 | 10,556,103 | 10,125,171 | 430,932 |
| Legal | 911,581 | 912,199 | 848,766 | 63,433 |
| Road and Bridge | 122,840 | 119,840 | 75,923 | 43,917 |
| Health care | 1,121,543 | 1,121,668 | 980,563 | 141,105 |
| Parks and recreation | 131,900 | 151,900 | 141,400 | 10,500 |
| County extension | 406,980 | 422,375 | 376,674 | 45,701 |
| Debt service | | | | |
| Debt principal | 376,591 | 376,591 | 376,591 | - |
| Debt interest and agent fees | 18,321 | 18,321 | 18,321 | - |
| Capital outlay | | | | |
| Capital outlay | 323,540 | 428,298 | 1,235,119 | (806,821) |
| Total expenditures | 20,909,092 | 20,907,349 | 19,777,113 | 1,130,236 |
| Excess revenues over expenditures | (2,210,795) | (2,209,052) | 3,703,182 | 5,912,234 |
| Other financing sources | | | | |
| Transfers, net | (3,385,000) | (3,385,000) | (2,385,000) | 1,000,000 |
| Proceeds from lease issuance | - | - | 863,764 | 863,764 |
| Proceeds from sale of fixed assets | - | - | 26,400 | 26,400 |
| Total other financing uses | (3,385,000) | (3,385,000) | (1,494,836) | 1,890,164 |
| Net change in fund balance | (5,595,795) | (5,594,052) | 2,208,346 | 7,802,398 |
| Fund balance at beginning of year | 13,950,764 | 13,950,764 | 13,950,764 | - |
| Fund balance at end of year | \$ 8,354,969 | \$ 8,356,712 | \$ 16,159,110 | \$ 7,802,398 |

Erath County, Texas
 Budgetary Comparison Schedule – Road and Bridge Fund (Exhibit B-2)
 Year Ended September 30, 2023

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 4,457,048 | \$ 4,457,048 | \$ 4,974,190 | \$ 517,142 |
| Other | 250,000 | 250,000 | 403,390 | 153,390 |
| Penalty and interest | 31,400 | 31,400 | 44,476 | 13,076 |
| Intergovernmental | 34,800 | 34,800 | 121,240 | 86,440 |
| Fines and fees | 445,000 | 445,000 | 448,980 | 3,980 |
| Interest | 28,000 | 28,000 | 232,369 | 204,369 |
| Other revenue | - | - | 62 | 62 |
| Total revenues | 5,246,248 | 5,246,248 | 6,224,707 | 978,459 |
| Expenditures | | | | |
| Current | | | | |
| Road and bridge | 6,347,251 | 6,361,886 | 4,716,511 | 1,645,375 |
| Debt service | | | | |
| Principal | 16,284 | 16,284 | 16,284 | - |
| Interest | 2,543 | 2,543 | 2,543 | - |
| Capital outlay | | | | |
| Capital outlay | 1,100,000 | 1,080,105 | 354,686 | 725,419 |
| Total expenditures | 7,466,078 | 7,460,818 | 5,090,024 | 2,370,794 |
| (Deficiency) of revenues (under) expenditures | (2,219,830) | (2,214,570) | 1,134,683 | 3,349,253 |
| Other financing sources | | | | |
| Transfers, net | - | - | - | - |
| Proceeds from sales of assets | - | - | 12,330 | 12,330 |
| Total other financing sources | - | - | 12,330 | 12,330 |
| Net change in fund balance | (2,219,830) | (2,214,570) | 1,147,013 | 3,361,583 |
| Fund balance at beginning of year, as restated | 4,811,930 | 4,811,930 | 4,811,930 | - |
| Fund balance at end of year | \$ 2,592,100 | \$ 2,597,360 | \$ 5,958,943 | \$ 3,361,583 |

Erath County, Texas
 Budgetary Comparison Schedule – Grant Fund (Exhibit B-3)
 Year Ended September 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|-------------------|---|
| | Original Budget | Final Budget | | |
| Revenues | | | | |
| Intergovernmental and grants | \$ - | \$ - | \$ 1,626,793 | \$ 1,626,793 |
| Investment earnings | 30,000 | 30,000 | 353,997 | 323,997 |
| Total revenues | 30,000 | 30,000 | 1,980,790 | 1,950,790 |
| Expenditures | | | | |
| Current | | | | |
| Judicial | 8,331,774 | 8,331,774 | 1,626,793 | 6,704,981 |
| Total expenditures | 8,331,774 | 8,331,774 | 1,626,793 | 6,704,981 |
| Excess (deficiency) of revenues over (under) expenditures | (8,301,774) | (8,301,774) | 353,997 | 8,655,771 |
| Net change in fund balance | (8,301,774) | (8,301,774) | 353,997 | 8,655,771 |
| Fund balance at beginning of year, as restated | 85,523 | 85,523 | 85,523 | - |
| Fund balance at end of year | <u>\$ (8,216,251)</u> | <u>\$ (8,216,251)</u> | <u>\$ 439,520</u> | <u>\$ 8,655,771</u> |

Erath County, Texas

Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System (Exhibit B-4)

September 30, 2023

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Year Ended December 31, 2020 | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 1,257,662 | \$ 1,292,711 | \$ 1,109,757 | \$ 991,279 | \$ 991,086 |
| Interest on total pension liability | 3,872,664 | 3,668,477 | 3,487,566 | 3,296,393 | 3,096,296 |
| Effect of plan changes | - | - | - | - | 154,655 |
| Effect of assumption changes or inputs | - | (177,008) | 2,650,725 | - | - |
| Effect of economic/demographic (gains) or losses | 170,387 | 207,170 | (98,372) | (55,778) | 11,290 |
| Benefit payments/refund of contributions | (2,413,136) | (2,131,274) | (2,105,892) | (1,878,942) | (1,691,087) |
| Net change in total pension liability | 2,887,577 | 2,860,076 | 5,043,784 | 2,352,952 | 2,562,240 |
| Total pension liability, beginning | 50,882,921 | 48,022,845 | 42,979,061 | 40,626,109 | 38,063,869 |
| Total pension liability, ending (a) | <u>\$ 53,770,498</u> | <u>\$ 50,882,921</u> | <u>\$ 48,022,845</u> | <u>\$ 42,979,061</u> | <u>\$ 40,626,109</u> |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ 956,921 | \$ 735,275 | \$ 4,591,033 | \$ 894,716 | \$ 1,645,365 |
| Member contributions | 689,596 | 643,366 | 638,165 | 603,956 | 564,644 |
| Investment income (loss) net of investment expenses | (3,414,783) | 10,763,308 | 4,332,786 | 5,966,791 | (674,137) |
| Benefit payments/refund of contributions | (2,413,136) | (2,131,274) | (2,105,892) | (1,878,942) | (1,691,087) |
| Administrative expenses | (32,286) | (32,118) | (36,145) | (31,914) | (29,182) |
| Other | (58,322) | (7,719) | 96,572 | (7,185) | 19,125 |
| Net change in fiduciary net position | (4,272,010) | 9,970,838 | 7,516,519 | 5,547,422 | (165,272) |
| Fiduciary net position, beginning | 59,366,573 | 49,395,735 | 41,879,216 | 36,331,794 | 36,497,066 |
| Fiduciary net position, ending (b) | <u>\$ 55,094,563</u> | <u>\$ 59,366,573</u> | <u>\$ 49,395,735</u> | <u>\$ 41,879,216</u> | <u>\$ 36,331,794</u> |
| Net pension liability / (asset), ending = (a) - (b) | <u>\$ (1,324,065)</u> | <u>\$ (8,483,652)</u> | <u>\$ (1,372,890)</u> | <u>\$ 1,099,845</u> | <u>\$ 4,294,315</u> |
| Fiduciary net position as a percentage of total pension liability | 102.46% | 116.67% | 102.86% | 97.44% | 89.43% |
| Pensionable covered payroll | \$ 9,851,365 | \$ 9,190,943 | \$ 9,116,644 | \$ 8,627,939 | \$ 8,066,342 |
| Net pension liability as a percentage of covered payroll | -13.44% | -92.30% | -15.06% | 12.75% | 53.24% |

Note: Plan information was unavailable prior to 2014.

Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System – continued (Exhibit B-4)

September 30, 2023

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 1,082,729 | \$ 1,061,170 | \$ 909,594 | \$ 917,752 |
| Interest on total pension liability | 2,924,113 | 2,686,025 | 2,503,916 | 2,291,796 |
| Effect of plan changes | - | - | 664,792 | - |
| Effect of assumption changes or inputs | 171,604 | - | 338,995 | - |
| Effect of economic/demographic (gains) or losses | (261,794) | 180,055 | (395,640) | 39,025 |
| Benefit payments/refund of contributions | (1,707,180) | (1,399,555) | (1,313,254) | (930,118) |
| Net change in total pension liability | 2,209,472 | 2,527,695 | 2,708,403 | 2,318,455 |
| Total pension liability, beginning | 35,854,397 | 33,326,702 | 30,618,299 | 28,299,844 |
| Total pension liability, ending (a) | \$ 38,063,869 | \$ 35,854,397 | \$ 33,326,702 | \$ 30,618,299 |
| Fiduciary Net Position | | | | |
| Employer contributions | \$ 841,433 | \$ 862,429 | \$ 1,354,107 | \$ 1,285,545 |
| Member contributions | 547,908 | 541,435 | 513,054 | 508,998 |
| Investment income (loss) net of investment expenses | 4,688,430 | 2,208,516 | (120,627) | 1,852,972 |
| Benefit payments/refund of contributions | (1,707,180) | (1,399,555) | (1,313,254) | (930,118) |
| Administrative expenses | (24,272) | (24,004) | (21,304) | (21,569) |
| Other | (4,488) | 185,453 | 55,414 | (1,334) |
| Net change in fiduciary net position | 4,341,831 | 2,374,274 | 467,390 | 2,694,494 |
| Fiduciary net position, beginning | 32,155,235 | 29,780,961 | 29,313,571 | 26,619,077 |
| Fiduciary net position, ending (b) | \$ 36,497,066 | \$ 32,155,235 | \$ 29,780,961 | \$ 29,313,571 |
| Net pension liability / (asset), ending = (a) - (b) | \$ 1,566,803 | \$ 3,699,162 | \$ 3,545,741 | \$ 1,304,728 |
| Fiduciary net position as a percentage of total pension liability | 95.88% | 89.68% | 89.36% | 95.74% |
| Pensionable covered payroll | \$ 7,827,256 | \$ 7,734,783 | \$ 7,329,338 | \$ 7,064,263 |
| Net pension liability as a percentage of covered payroll | 20.02% | 47.83% | 48.38% | 18.47% |

Note: Plan information was unavailable prior to 2014.

Erath County, Texas

Schedule of Employer Contributions – Texas County and District Retirement System (Exhibit B-5)

September 30, 2023

| Year Ending September 30, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a Percentage of Covered Payroll |
|------------------------------|---|------------------------------------|--|-----------------------------------|--|
| 2013 | \$ 745,200 | \$ 745,200 | \$ - | \$ 6,893,642 | 10.8% |
| 2014 | 785,545 | 1,285,545 | (500,000) | 7,064,263 | 18.2% |
| 2015 | 779,107 | 1,354,107 | (575,000) | 7,329,338 | 18.5% |
| 2016 | 862,429 | 862,429 | - | 7,734,783 | 11.2% |
| 2017 | 841,433 | 841,433 | - | 7,827,256 | 10.8% |
| 2018 | 895,365 | 1,645,365 | (750,000) | 8,066,342 | 20.4% |
| 2019 | 894,716 | 894,716 | - | 8,627,939 | 10.4% |
| 2020 | 1,011,036 | 4,591,033 | (3,579,997) | 9,116,644 | 50.4% |
| 2021 | 564,324 | 735,275 | (170,951) | 9,190,943 | 8.0% |
| 2022 | 855,098 | 956,921 | (101,823) | 9,851,365 | 9.7% |

See Notes to Required Supplementary Information

Note 1 - Budgetary Information

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A 11 or 689A 20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund and Special Revenue Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted prior to October 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2023 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level.

Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end. The capital projects fund has a project length budget and is not budgeted by fiscal year.

The following expenditures exceeded appropriations in the final budgets due to expenditures recorded on the origination of leases and SBITAs:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Expenditures Exceed Appropriations</u> |
|----------------|---------------------|---------------|---|
| General Fund | | | |
| Capital outlay | \$ 428,298 | \$ 1,235,119 | \$ 806,821 |

Note 2 - Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

| | |
|-------------------------------|--|
| Valuation date | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 5.9 years (based on contribution rate calculated in 12/31/2022 valuation) |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary increases | Varies by age and service. 4.7%, average, over career including inflation |
| Investment rate of return | 7.50%, net of investment expenses, including inflation |

| | |
|----------------|---|
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services 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 100% of the MP-2021 Ultimate scale after 2010. |

Changes of Assumptions

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

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.



Supplementary Information
September 30, 2023

Erath County, Texas

| | Judicial | Law Library | Jury | Contractual Elections | Court Reporter |
|---|-------------------|-------------------|------------------|--------------------------|-------------------|
| Assets | | | | | |
| Cash and investments | \$ 759,934 | \$ 169,858 | \$ 24,994 | \$ 152,109 | \$ 28,488 |
| Accounts receivable, net | - | - | - | - | - |
| Prepaid expenses | - | - | - | - | - |
| Total assets | <u>\$ 759,934</u> | <u>\$ 169,858</u> | <u>\$ 24,994</u> | <u>\$ 152,109</u> | <u>\$ 28,488</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 15,886 | \$ 117 | \$ 13,162 | \$ 11,297 | \$ - |
| Payroll liabilities | - | - | - | - | - |
| Total liabilities | <u>15,886</u> | <u>117</u> | <u>13,162</u> | <u>11,297</u> | <u>-</u> |
| Deferred inflows of resources | | | | | |
| Unavailable property tax | - | - | - | - | - |
| Fund balance | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| Enabling legislation | - | 169,741 | 11,832 | 140,812 | 28,488 |
| Retirement of debt | - | - | - | - | - |
| Committed for | | | | | |
| Judicial | 744,048 | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balance | <u>744,048</u> | <u>169,741</u> | <u>11,832</u> | <u>140,812</u> | <u>28,488</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 759,934</u> | <u>\$ 169,858</u> | <u>\$ 24,994</u> | <u>\$ 152,109</u> | <u>\$ 28,488</u> |

Erath County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)
September 30, 2023

| <u>Records Management- County</u> | <u>Records Management- County Clerk</u> | <u>Archived Records - County Clerk</u> | <u>Records Preservation - County Clerk</u> | <u>Records Management- District Clerk</u> |
|---|---|--|--|---|
| \$ 224,733 | \$ 740,449 | \$ 311,597 | \$ 11,818 | \$ 66,034 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 224,733</u> | <u>\$ 740,449</u> | <u>\$ 311,597</u> | <u>\$ 11,818</u> | <u>\$ 66,034</u> |
| | | | | |
| \$ 50,000 | \$ - | \$ 96 | \$ - | \$ - |
| - | 284 | - | - | - |
| <u>50,000</u> | <u>284</u> | <u>96</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| 174,733 | 740,165 | 311,501 | 11,818 | 66,034 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>174,733</u> | <u>740,165</u> | <u>311,501</u> | <u>11,818</u> | <u>66,034</u> |
| | | | | |
| <u>\$ 224,733</u> | <u>\$ 740,449</u> | <u>\$ 311,597</u> | <u>\$ 11,818</u> | <u>\$ 66,034</u> |

| | Records Preservation - District Clerk | Specialty Court - County | Technology - CC | Technology - DC | Technology - JP 1 |
|---|---|--------------------------------|--------------------|--------------------|----------------------|
| Assets | | | | | |
| Cash and investments | \$ 15,308 | \$ 14,915 | \$ 6,033 | \$ 32,942 | \$ 148,819 |
| Accounts receivable, net | - | - | - | - | - |
| Prepaid expenses | - | - | - | - | - |
| Total assets | <u>\$ 15,308</u> | <u>\$ 14,915</u> | <u>\$ 6,033</u> | <u>\$ 32,942</u> | <u>\$ 148,819</u> |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Payroll liabilities | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources | | | | | |
| Unavailable property tax | - | - | - | - | - |
| Fund balance | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| Enabling legislation | 15,308 | 14,915 | 6,033 | 32,942 | 148,819 |
| Retirement of debt | - | - | - | - | - |
| Committed for | | | | | |
| Judicial | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balance | <u>15,308</u> | <u>14,915</u> | <u>6,033</u> | <u>32,942</u> | <u>148,819</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 15,308</u> | <u>\$ 14,915</u> | <u>\$ 6,033</u> | <u>\$ 32,942</u> | <u>\$ 148,819</u> |

Erath County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)
September 30, 2023

| Technology - JP II | Security - Courthouse | Security Justice Court I | Security Justice Court II | Pretrial Intervention - County Attorney |
|-----------------------|--------------------------|--------------------------------|---------------------------------|---|
| \$ 28,652 | \$ 303,875 | \$ 25,913 | \$ 4,094 | \$ 77,645 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 28,652</u> | <u>\$ 303,875</u> | <u>\$ 25,913</u> | <u>\$ 4,094</u> | <u>\$ 77,645</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 3 |
| - | - | - | - | 773 |
| - | - | - | - | <u>776</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| 28,652 | 303,875 | 25,913 | 4,094 | 76,869 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>28,652</u> | <u>303,875</u> | <u>25,913</u> | <u>4,094</u> | <u>76,869</u> |
| <u>\$ 28,652</u> | <u>\$ 303,875</u> | <u>\$ 25,913</u> | <u>\$ 4,094</u> | <u>\$ 77,645</u> |

| | Supplemental Court Initiated Guardianship | Child Abuse Prevention - County | Local Truancy Prevention - Diversion | Forfeiture - County Attorney | Forfeiture - District Attorney |
|---|---|---------------------------------------|--|------------------------------------|--------------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 41,224 | \$ 324 | \$ 26,456 | \$ 8,112 | \$ 48,001 |
| Accounts receivable, net | - | - | - | - | - |
| Prepaid expenses | - | - | - | - | - |
| Total assets | <u>\$ 41,224</u> | <u>\$ 324</u> | <u>\$ 26,456</u> | <u>\$ 8,112</u> | <u>\$ 48,001</u> |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 45 |
| Payroll liabilities | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45</u> |
| Deferred inflows of resources | | | | | |
| Unavailable property tax | - | - | - | - | - |
| Fund balance | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| Enabling legislation | 41,224 | 324 | 26,456 | 8,112 | 47,956 |
| Retirement of debt | - | - | - | - | - |
| Committed for | | | | | |
| Judicial | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balance | <u>41,224</u> | <u>324</u> | <u>26,456</u> | <u>8,112</u> | <u>47,956</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 41,224</u> | <u>\$ 324</u> | <u>\$ 26,456</u> | <u>\$ 8,112</u> | <u>\$ 48,001</u> |

Erath County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)
September 30, 2023

| Forfeiture - Sheriff | Bail Bond | Hot Check - County Attorney | Hot Check - District Attorney | LEOSE |
|-------------------------|------------------|-----------------------------------|-------------------------------------|------------------|
| \$ 5,289 | \$ 16,064 | \$ 2,282 | \$ 7,793 | \$ 25,287 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 5,289</u> | <u>\$ 16,064</u> | <u>\$ 2,282</u> | <u>\$ 7,793</u> | <u>\$ 25,287</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 37 | - | - |
| <u>-</u> | <u>-</u> | <u>37</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| 5,289 | 16,064 | 2,245 | 7,793 | 25,287 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>5,289</u> | <u>16,064</u> | <u>2,245</u> | <u>7,793</u> | <u>25,287</u> |
| <u>\$ 5,289</u> | <u>\$ 16,064</u> | <u>\$ 2,282</u> | <u>\$ 7,793</u> | <u>\$ 25,287</u> |

Erath County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)
September 30, 2023

| | Total Special Revenue Funds | Debt Service | Total Nonmajor Governmental Funds |
|---|-----------------------------------|-------------------|---|
| Assets | | | |
| Cash and investments | \$ 3,329,042 | \$ 132,206 | \$ 3,461,248 |
| Accounts receivable, net | - | 6,798 | 6,798 |
| Prepaid expenses | - | 9,151 | 9,151 |
| Total assets | <u>\$ 3,329,042</u> | <u>\$ 148,155</u> | <u>\$ 3,477,197</u> |
| Liabilities | | | |
| Accounts payable | \$ 90,606 | \$ 9,151 | \$ 99,757 |
| Payroll liabilities | 1,094 | - | 1,094 |
| Total liabilities | <u>91,700</u> | <u>9,151</u> | <u>100,851</u> |
| Deferred inflows of resources | | | |
| Unavailable property tax | - | 6,256 | 6,256 |
| Fund balance | | | |
| Nonspendable | - | 9,151 | 9,151 |
| Restricted for | | | |
| Enabling legislation | 2,493,294 | - | 2,493,294 |
| Retirement of debt | - | 123,597 | 123,597 |
| Committed for | | | |
| Judicial | 744,048 | - | 744,048 |
| Unassigned | - | - | - |
| Total fund balance | <u>3,237,342</u> | <u>132,748</u> | <u>3,370,090</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 3,329,042</u> | <u>\$ 148,155</u> | <u>\$ 3,477,197</u> |

| | Judicial | Law Library | Jury | Contractual Elections | Court Reporter |
|---|------------|----------------|-----------|--------------------------|-------------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - |
| Penalty and interest | - | - | - | - | - |
| Intergovernmental and grants | 30,136 | - | - | - | - |
| Fines and fees | 19,742 | 24,001 | 7,110 | 71,434 | 19,107 |
| Investment earnings | - | - | - | - | - |
| Other revenues | - | - | - | - | - |
| Total revenues | 49,878 | 24,001 | 7,110 | 71,434 | 19,107 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | - |
| Judicial | 218,616 | 5,115 | 750 | - | - |
| Law enforcement | - | 6,691 | - | - | - |
| Elections | - | - | - | 58,952 | - |
| Legal | - | 5,708 | - | - | - |
| Road and bridge | - | - | - | - | - |
| Human services | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Capital outlay | | | | | |
| Capital outlay | - | - | - | - | - |
| Total expenditures | 218,616 | 17,514 | 750 | 58,952 | - |
| Excess (deficit) of revenues over expenditures | (168,738) | 6,487 | 6,360 | 12,482 | 19,107 |
| Other financing sources (uses) | | | | | |
| Transfers in | 385,000 | - | - | - | - |
| Proceeds on long-term debt | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | 385,000 | - | - | - | - |
| Net change in fund balance | 216,262 | 6,487 | 6,360 | 12,482 | 19,107 |
| Fund balances at beginning of year | 527,786 | 163,254 | 5,472 | 128,330 | 9,381 |
| Fund balances at end of year | \$ 744,048 | \$ 169,741 | \$ 11,832 | \$ 140,812 | \$ 28,488 |

Erath County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
Funds (Exhibit C-2)
Year Ended September 30, 2023

| Records Management- County | Records Management- County Clerk | Archived Records - County Clerk | Records Preservation - County Clerk | Records Management- District Clerk |
|----------------------------------|--|---------------------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| 14,729 | 88,968 | 75,435 | 1 | 7,311 |
| - | 17,120 | - | - | - |
| 5,741 | - | - | - | - |
| 20,470 | 106,088 | 75,435 | 1 | 7,311 |
| - | 58,906 | - | 2,925 | - |
| 100,000 | - | 5,046 | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 198,276 | - | - | - |
| 100,000 | 257,182 | 5,046 | 2,925 | - |
| (79,530) | (151,094) | 70,389 | (2,924) | 7,311 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| (79,530) | (151,094) | 70,389 | (2,924) | 7,311 |
| 254,263 | 891,259 | 241,112 | 14,742 | 58,723 |
| \$ 174,733 | \$ 740,165 | \$ 311,501 | \$ 11,818 | \$ 66,034 |

| | Records Preservation - District Clerk | Specialty Court - County | Technology - CC | Technology - DC | Technology - JP 1 |
|---|---|--------------------------------|--------------------|--------------------|----------------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - |
| Penalty and interest | - | - | - | - | - |
| Intergovernmental and grants | - | - | - | - | - |
| Fines and fees | 881 | 4,036 | 644 | 167 | 7,682 |
| Investment earnings | - | - | - | - | - |
| Other revenues | - | - | - | - | - |
| Total revenues | 881 | 4,036 | 644 | 167 | 7,682 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | - |
| Judicial | - | - | - | - | - |
| Law enforcement | - | - | - | - | 7,260 |
| Elections | - | - | - | - | - |
| Legal | - | - | - | - | - |
| Road and bridge | - | - | - | - | - |
| Human services | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Capital outlay | | | | | |
| Capital outlay | - | - | - | - | - |
| Total expenditures | - | - | - | - | 7,260 |
| Excess (deficit) of revenues over expenditures | 881 | 4,036 | 644 | 167 | 422 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Proceeds on long-term debt | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | 881 | 4,036 | 644 | 167 | 422 |
| Fund balances at beginning of year | 14,427 | 10,879 | 5,389 | 32,775 | 148,397 |
| Fund balances at end of year | \$ 15,308 | \$ 14,915 | \$ 6,033 | \$ 32,942 | \$ 148,819 |

Erath County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
Funds (Exhibit C-2)
Year Ended September 30, 2023

| Technology - JP II | Security - Courthouse | Security Justice Court I | Security Justice Court II | Pretrial Intervention - County Attorney |
|-----------------------|--------------------------|--------------------------------|---------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| 737 | 28,457 | 1,451 | 144 | 3,401 |
| - | 8,835 | - | - | - |
| - | - | - | - | - |
| 737 | 37,292 | 1,451 | 144 | 3,401 |
| - | - | - | - | - |
| - | 14,438 | - | - | - |
| 1,683 | - | - | 1,360 | - |
| - | - | - | - | - |
| - | - | - | - | 30,268 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 1,683 | 14,438 | - | 1,360 | 30,268 |
| (946) | 22,854 | 1,451 | (1,216) | (26,867) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| (946) | 22,854 | 1,451 | (1,216) | (26,867) |
| 29,598 | 281,021 | 24,462 | 5,310 | 103,736 |
| \$ 28,652 | \$ 303,875 | \$ 25,913 | \$ 4,094 | \$ 76,869 |

| | Supplemental Court Initiated Guardianship | Child Abuse Prevention - County | Local Truancy Prevention - Diversion | Forfeiture - County Attorney | Forfeiture - District Attorney |
|---|---|---------------------------------------|--|------------------------------------|--------------------------------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - |
| Penalty and interest | - | - | - | - | - |
| Intergovernmental and grants | - | - | - | - | - |
| Fines and fees | 4,141 | 90 | 6,527 | - | 2,359 |
| Investment earnings | - | - | - | - | 1,967 |
| Other revenues | - | - | - | - | - |
| Total revenues | 4,141 | 90 | 6,527 | - | 4,326 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | - |
| Judicial | - | - | - | - | - |
| Law enforcement | - | - | - | - | - |
| Elections | - | - | - | - | - |
| Legal | - | - | - | 869 | 42 |
| Road and bridge | - | - | - | - | - |
| Human services | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Capital outlay | | | | | |
| Capital outlay | - | - | - | - | - |
| Total expenditures | - | - | - | 869 | 42 |
| Excess (deficit) of revenues over expenditures | 4,141 | 90 | 6,527 | (869) | 4,284 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Proceeds on long-term debt | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | 4,141 | 90 | 6,527 | (869) | 4,284 |
| Fund balances at beginning of year | 37,083 | 234 | 19,929 | 8,981 | 43,672 |
| Fund balances at end of year | \$ 41,224 | \$ 324 | \$ 26,456 | \$ 8,112 | \$ 47,956 |

Erath County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
Funds (Exhibit C-2)
Year Ended September 30, 2023

| | Total Special Revenue Funds | Debt Service | Total Nonmajor Governmental Funds |
|---|-----------------------------------|-----------------|---|
| Revenues | | | |
| Taxes | | | |
| Property | \$ - | \$ 553,097 | \$ 553,097 |
| Penalty and interest | - | 4,384 | 4,384 |
| Intergovernmental and grants | 30,136 | - | 30,136 |
| Fines and fees | 395,815 | - | 395,815 |
| Investment earnings | 27,922 | 20,466 | 48,388 |
| Other revenues | 5,741 | - | 5,741 |
| | | | |
| Total revenues | 459,614 | 577,947 | 1,037,561 |
| Expenditures | | | |
| Current | | | |
| General government | 61,831 | - | 61,831 |
| Judicial | 343,965 | - | 343,965 |
| Law enforcement | 23,399 | - | 23,399 |
| Elections | 58,952 | - | 58,952 |
| Legal | 38,413 | - | 38,413 |
| Road and bridge | - | - | - |
| Human services | - | - | - |
| Debt service | | | |
| Principal | - | 480,000 | 480,000 |
| Interest | - | 27,960 | 27,960 |
| Capital outlay | | | |
| Capital outlay | 198,276 | - | 198,276 |
| | | | |
| Total expenditures | 724,836 | 507,960 | 1,232,796 |
| Excess (deficit) of revenues over expenditures | (265,222) | 69,987 | (195,235) |
| Other financing sources (uses) | | | |
| Transfers in | 385,000 | - | 385,000 |
| Proceeds on long-term debt | - | - | - |
| Transfers out | - | - | - |
| | | | |
| Total other financing sources (uses) | 385,000 | - | 385,000 |
| Net change in fund balance | 119,778 | 69,987 | 189,765 |
| Fund balances at beginning of year | 3,117,564 | 62,761 | 3,180,325 |
| Fund balances at end of year | \$ 3,237,342 | \$ 132,748 | \$ 3,370,090 |

Erath County, Texas
Combining Balance Sheet – Road and Bridge Fund (Exhibit C-3)
September 30, 2023

| | Precinct #1 | Precinct #2 | Precinct #3 | Precinct #4 |
|---|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Cash and investments | \$ 1,161,522 | \$ 1,425,965 | \$ 2,345,103 | \$ 824,686 |
| Accounts receivable, net | 23,865 | 148,985 | 29,667 | 26,792 |
| Inventory | 5,902 | - | 5,000 | 4,800 |
| Prepaid expenses | 5,831 | 5,831 | 5,831 | 5,831 |
| Total assets | <u>\$ 1,197,120</u> | <u>\$ 1,580,781</u> | <u>\$ 2,385,601</u> | <u>\$ 862,109</u> |
| Liabilities | | | | |
| Accounts payable | \$ 20,924 | \$ 31,489 | \$ 83,440 | \$ 28,072 |
| Payroll liabilities | 12,271 | 15,225 | 13,789 | 12,904 |
| Total liabilities | <u>33,195</u> | <u>46,714</u> | <u>97,229</u> | <u>40,976</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property tax | 12,326 | 14,040 | 14,894 | 13,437 |
| Fund balance | | | | |
| Nonspendable | 11,733 | 5,831 | 10,831 | 10,631 |
| Restricted for | | | | |
| Road and bridge | <u>1,139,866</u> | <u>1,514,196</u> | <u>2,262,647</u> | <u>797,065</u> |
| Total fund balance | <u>1,151,599</u> | <u>1,520,027</u> | <u>2,273,478</u> | <u>807,696</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 1,197,120</u> | <u>\$ 1,580,781</u> | <u>\$ 2,385,601</u> | <u>\$ 862,109</u> |

Erath County, Texas
Combining Balance Sheet – Road and Bridge Fund (Exhibit C-3)
September 30, 2023

| | Maintenance Barn | Total Road and Bridge Fund |
|---|-----------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Cash and investments | \$ 223,757 | \$ 5,981,033 |
| Accounts receivable, net | - | 229,309 |
| Inventory | - | 15,702 |
| Prepaid expenses | - | 23,324 |
| Total assets | <u>\$ 223,757</u> | <u>\$ 6,249,368</u> |
| | | |
| Liabilities | | |
| Accounts payable | 11,897 | \$ 175,822 |
| Payroll liabilities | 5,717 | 59,906 |
| Total liabilities | <u>17,614</u> | <u>235,728</u> |
| | | |
| Deferred inflows of resources | | |
| Unavailable revenue - property tax | - | 54,697 |
| | | |
| Fund balance | | |
| Nonspendable | - | 39,026 |
| Restricted for | | |
| Road and bridge | <u>206,143</u> | <u>5,919,917</u> |
| Total fund balance | <u>206,143</u> | <u>5,958,943</u> |
| | | |
| Total liabilities, deferred inflows and fund balance | <u>\$ 223,757</u> | <u>\$ 6,249,368</u> |

Erath County, Texas
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Road and Bridge Fund (Exhibit C-4)
Year Ended September 30, 2023

| | Precinct #1 | Precinct #2 | Precinct #3 | Precinct #4 |
|---|----------------|----------------|----------------|----------------|
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 1,075,365 | \$ 1,277,303 | \$ 1,376,846 | \$ 1,244,676 |
| Other | 87,209 | 103,585 | 111,657 | 100,939 |
| Penalty and interest | 9,615 | 11,421 | 12,311 | 11,129 |
| Intergovernmental | - | 121,240 | - | - |
| Fines and fees | 97,063 | 115,292 | 124,277 | 112,348 |
| Interest | 50,960 | 56,984 | 94,754 | 29,671 |
| Other revenues | - | - | 61 | - |
| Total revenues | 1,320,212 | 1,685,825 | 1,719,906 | 1,498,763 |
| Expenditures | | | | |
| Current | | | | |
| Road and bridge | 1,011,074 | 1,085,915 | 1,151,872 | 1,127,499 |
| Debt service | | | | |
| Principal | - | 7,243 | 9,041 | - |
| Interest | - | 1,174 | 1,369 | - |
| Capital outlay | | | | |
| Capital outlay | 134,468 | 99,340 | 70,250 | 5,300 |
| Total expenditures | 1,145,542 | 1,193,672 | 1,232,532 | 1,132,799 |
| Excess (deficit) of revenues over expenditures | 174,670 | 492,153 | 487,374 | 365,964 |
| Other financing sources (uses) | | | | |
| Proceeds from sales of assets | - | 12,330 | - | - |
| Transfers in/(out) | (110,000) | (110,000) | (110,000) | (110,000) |
| Total other financing sources (uses) | (110,000) | (97,670) | (110,000) | (110,000) |
| Net change in fund balance | 64,670 | 394,483 | 377,374 | 255,964 |
| Fund balances at beginning of year, as restated | 1,086,929 | 1,125,544 | 1,896,104 | 551,732 |
| Fund balances at end of year | \$ 1,151,599 | \$ 1,520,027 | \$ 2,273,478 | \$ 807,696 |

Erath County, Texas
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Road and Bridge Fund (Exhibit C-4)
Year Ended September 30, 2023

| | Maintenance Barn | Total Road and Bridge Fund |
|---|---------------------|-------------------------------------|
| Revenues | | |
| Taxes | | |
| Property | \$ - | \$ 4,974,190 |
| Other | - | 403,390 |
| Penalty and interest | - | 44,476 |
| Intergovernmental | - | 121,240 |
| Fines and fees | - | 448,980 |
| Interest | - | 232,369 |
| Other revenues | 1 | 62 |
| | <u>1</u> | <u>6,224,707</u> |
| Total revenues | 1 | 6,224,707 |
| Expenditures | | |
| Current | | |
| Road and bridge | 340,151 | 4,716,511 |
| Debt service | | |
| Principal | - | 16,284 |
| Interest | - | 2,543 |
| Capital outlay | | |
| Capital outlay | 45,328 | 354,686 |
| | <u>385,479</u> | <u>5,090,024</u> |
| Total expenditures | 385,479 | 5,090,024 |
| Excess (deficit) of revenues over expenditures | <u>(385,478)</u> | <u>1,134,683</u> |
| Other financing sources (uses) | | |
| Proceeds from sales of assets | - | 12,330 |
| Transfers in/(out) | 440,000 | - |
| | <u>440,000</u> | <u>12,330</u> |
| Total other financing sources (uses) | 440,000 | 12,330 |
| Net change in fund balance | 54,522 | 1,147,013 |
| Fund balances at beginning of year, as restated | <u>151,621</u> | <u>4,811,930</u> |
| Fund balances at end of year | <u>\$ 206,143</u> | <u>\$ 5,958,943</u> |



Single Audit Section
September 30, 2023

Erath County, Texas



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*

The Honorable Judge and Members of the Commissioners Court
Erath County, Texas
Stephenville, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Erath County, Texas (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
June 28, 2024



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Judge and Members of the Commissioners Court
Erath County, Texas
Stephenville, Texas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Erath County, Texas's (the County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended September 30, 2023. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Abilene, Texas
June 28, 2024

Erath County, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Expenditures |
|--|---|--|----------------------------|
| U.S. Department of Treasury | | | |
| Direct | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | n/a | <u>\$ 1,626,793</u> |
| Total Federal Financial Assistance | | | <u><u>\$ 1,626,793</u></u> |

Note 1 - General

The accompanying schedule of expenditures of federal awards (the schedule) includes federal award activity of Erath County, Texas (the County) under programs of the federal government for the year ended September 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, they are not intended to and do not present the financial position, changes in net position or fund balance of the County.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The County has not elected to use the 10% de minimis cost rate.

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

| | |
|--|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Noncompliance material to financial statements noted? | No |

FEDERAL AND STATE AWARDS

| | |
|--|------------|
| Internal control over major programs: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | Yes |

Identification of major programs:

| Name of Federal Program | Federal Financial Assistance Listing |
|---|--------------------------------------|
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.

Section III –Federal Award Findings and Questioned Costs

| | |
|---------------------------------|--|
| Finding 2023-001: | U.S. Department of the Treasury Federal Financial Assistance Listing 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds |
| Compliance Requirement: | Reporting |
| Type of Finding: | Significant Deficiency in Internal Controls over Compliance |
| Criteria: | 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. |
| Condition: | The County's reports submitted to the Department of Treasury were not reviewed and approved by a separate individual outside of the preparer. |
| Cause: | The County did not have an internal control process in place to ensure a secondary review and approval of the reports submitted to the Department of Treasury were performed by someone other than the preparer of the report. |
| Effect: | Without a secondary review and approval, there is a possibility that the report may not be accurately completed. |
| Questioned Costs: | None. |
| Context / Sampling: | For the Coronavirus State and Local Fiscal Recovery Funds, one of one annual report was tested – sampling was not performed. |
| Repeat Finding from Prior Year: | No |
| Recommendation: | We recommend the County implement a control process which includes a secondary review and approval of the required reports to be submitted to the federal agency. |

| | |
|---------------------------------|---|
| Views of Responsible Officials: | Management agrees with the noted finding. Refer to Corrective Action Plan. |
| Finding 2023-002: | U.S. Department of the Treasury Federal Financial Assistance Listing 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds |
| Compliance Requirement: | Procurement Suspension and Debarment |
| Type of Finding: | Significant Deficiency in Internal Controls over Compliance |
| Criteria: | <p>2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.</p> <p>Per 31 CFR 19.300, prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR § 19.300.</p> |
| Condition: | The County did not maintain evidence of review of state and federal debarred vendor listing for three vendors receiving SLFRF funds. |
| Cause: | The County indicated review was performed, but no internal policy required the documentation of evidence of the review of SAM.gov and Texas Comptroller debarred vendor listings. |
| Effect: | No evidence that any SLFRF funds were provided to debarred vendors. |
| Questioned Costs: | None |
| Context / Sampling: | We tested 3 of 3 transactions subject to suspension and debarment in the SLFRF program. |
| Repeat Finding from Prior Year: | No |
| Recommendation: | To avoid the potential of missing review of the debarred vendor listings, the County should require documentation of review of the debarred vendor listings at least semi-annually. |
| Views of Responsible Officials: | Management agrees with the noted finding. Refer to Corrective Action Plan. |

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
September 30, 2023

Prepared by Management of
Erath County, Texas

Summary Schedule of Prior Audit Findings

Finding 2022-001

Finding Summary:

The County does not have an internal control system designed to provide for the timely preparation of the financial statements and related financial statement disclosures. There were material entries and a restatement of fund balance and net position recorded that were detected as a result of audit procedures. Further, Eide Bailly assists in the preparation of multiple cash-to-accrual entries as an approved nonattest service.

Status:

We have designated a member of management to review the drafted financial statements and accompanying notes.

This recommendation has been implemented.

Finding 2022-002

Finding Summary:

The Erath County Volunteer Fire Department (ECVFD), a component unit of Erath County, does not have an internal control system that maintains sufficient documentation of donation revenue transactions. As a component unit of Erath County, this increases the risk that revenue transactions may be inappropriately recorded by the ECVFD and included in the financial statements of the County.

Status:

The County monitors financial information submitted by the ECVFD.

Corrective Action Plan

Finding 2023-001

Federal Agency Name: U.S. Department of the Treasury

Program Name: COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Assistance Listing Number: 21.027

Finding Summary: The County's quarterly performance reports submitted to the Department of Treasury were not reviewed and approved by a separate individual outside of the preparer.

Responsible Individuals: Kent Reeves, County Auditor

Corrective Action Plan: The County will continue to have the County Auditor prepare the performance reports, with a mechanical review of the report performed by an individual within the Auditor's Office.

Anticipated Completion Date: Fiscal year 2024

Finding 2023-002

Federal Agency Name: U.S. Department of the Treasury

Program Name: COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Assistance Listing Number: 21.027

Finding Summary: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. Per 31 CFR 19.300, prior to enter in subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR § 19.300. The County did not review two counselors to determine that they were not suspended, debarred, or otherwise excluded prior to entering into a transaction with them.

Responsible Individuals: Kent Reeves, County Auditor

Corrective Action Plan: The County will start reviewing all vendors paid with federal funds against the sam.gov suspension and debarment review tool, and will document the periodic review of suspended and debarred vendors.

Anticipated Completion Date: Fiscal year 2024