

GARZA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

GARZA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

GARZA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS (Continued)

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor’s Report		1
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	Exhibit A-1	4
Statement of Activities	Exhibit A-2	5
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit A-3	6
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	Exhibit A-4	7
Statement of Revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	Exhibit A-5	8
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities	Exhibit A-6	9
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position	Exhibit A-7	10
Statement of Changes in Fiduciary Net Position	Exhibit A-8	11
Notes to Financial Statements		12
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in Net Pension Asset and Related Ratios	Exhibit B-1	32
Schedule of Employer Contributions	Exhibit B-2	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – General Fund	Exhibit B-3	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – County Jail Fund	Exhibit B-4	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Road & Bridge Fund	Exhibit B-5	36
Notes to Required Supplementary Information		37

GARZA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS (Concluded)

	<u>Statement Identification</u>	<u>Page No.</u>
COMBINING STATEMENTS		
Combining Balance Sheet – Non-Major Governmental Funds	Exhibit C-1	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	Exhibit C-2	39
Combining Balance Sheet – Non-Major Governmental Funds	Exhibit C-3	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	Exhibit C-4	41
OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		42

GARZA COUNTY, TEXAS
COUNTY OFFICIALS AS OF
SEPTEMBER 30, 2021

Lee Norman	County Judge
Jeff Williams	Commissioner Precinct 1
Charles Morris	Commissioner Precinct 2
Ted Brannon	Commissioner Precinct 3
Jerry Benham	Commissioner Precinct 4
Jim Plummer	District and County Clerk
LuAnne Terry	County Treasurer
Nancy Wallace	Tax-Assessor-Collector
Gordon Terry	Justice of the Peace Precinct 1
Angela Massey	Justice of the Peace Precinct 2
Terry Morgan	County Sheriff
Ted Weems	County Attorney
David Graves	County Constable

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garza County, Texas (the County), as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

The County has not recognized the total OPEB liability or expense which is required, in accordance with accounting principles generally accepted in the United States of America and under Governmental Accounting Standards Board (GASB) Statement No. 75, to be recorded in the government-wide financial statements. The effects of the departure from generally accepted accounting principles is not reasonably determinable. The County has also not disclosed the descriptive information about the other post-employment benefits required by standards.

Qualified Opinion

In our opinion, except for the omission of the total OPEB liability, expense and disclosures as described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the County, as of September 30, 2021, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension asset and related ratios, schedule of employer contributions, and budgetary comparison information on pages 32 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report March 22, 2022 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 22, 2022

BASIC FINANCIAL STATEMENTS

GARZA COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Garza Public</u> <u>Facility Corp.</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,639,511	\$
Investments	525,878	
Restricted Investments - Held by Trustee	728,869	11,150,491
Taxes Receivable, Net	59,305	
Accounts Receivable, Net	78,714	3,158,692
Due From Public Facility Corp	183,024	
Net Pension Asset	442,610	
Capital Assets, Net:		
Nondepreciable	66,671	188,500
Depreciable, Net	6,733,873	22,657,280
Total Assets	<u>\$ 11,458,455</u>	<u>\$ 37,154,963</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Plan - Assumption Changes	\$ 495,404	\$
Pension Plan - Contribution Deferrals	124,696	
Total Deferred Outflows of Resources	<u>\$ 620,100</u>	<u>\$ 0</u>
LIABILITIES:		
Accounts Payable	\$ 221,695	\$
Accrued Interest Payable	46,613	959,123
Due to County		183,024
Due to MTC		7,765,899
Accrued Compensated Absences	22,490	
Accrued Wages Payable	64,048	
Other Current Liabilities	7,297	
Noncurrent Liabilities:		
Due Within One Year	561,646	2,850,000
Due in More Than One Year	4,789,462	18,202,842
Total Liabilities	<u>\$ 5,713,251</u>	<u>\$ 29,960,888</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Plan - Experience Differences	\$ 211,444	\$
Pension Plan - Earnings Differences	418,848	
Unavailable Revenue - Intergovernmental	725,102	
Total Deferred Inflows of Resources	<u>\$ 1,355,394</u>	<u>\$ 0</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 1,449,436	\$ 1,792,938
Restricted For:		
County Schools - Non-Spendable	13,283	
Enabling Legislation	429,036	
Debt Service	728,869	3,986,600
Road and Bridge	687,021	
Unrestricted (Deficit)	<u>1,702,265</u>	<u>1,414,537</u>
Total Net Position	<u>\$ 5,009,910</u>	<u>\$ 7,194,075</u>

The accompanying notes are an integral part of this statement.

-5-
GARZA COUNTY, TEXAS

Exhibit A-2

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Fines, Fees & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
				<u>Governmental Activities</u>	<u>Garza Public Facility Corp.</u>
Departments/Programs					
Net (Expense) Revenue					
Governmental Activities					
County Judge	\$ 142,373	\$ 76	\$ 25,200	\$ (117,097)	\$
Emergency Management Office	77,429			(77,429)	
County Clerk	245,848	64,806	378	(180,664)	
HAVA	604		1,173	569	
General Administration	292,691	2,165	350,932	60,406	
District Court	153,725	72,470		(81,255)	
Justices of the Peace	246,221	57,725	1,062	(187,434)	
County Attorney	147,037	2,934	30,414	(113,689)	
County Treasurer	165,811	10,737		(155,074)	
County Tax Assessor/Collector	173,855	31,120		(142,735)	
Courthouse Maintenance	247,328	6,761		(240,567)	
Constables	264,248	8,156	290	(255,802)	
Fire Station	18,201			(18,201)	
Law Enforcement	1,023,061	2,784	540,061	(480,216)	
Weighstation	3,471			(3,471)	
Probations	188,780			(188,780)	
Social Services	603,457	15,606	217,440	(370,411)	
Museum	64,817			(64,817)	
Extension Services	53,463			(53,463)	
Road and Bridge	917,677	283,375	157,158	(477,144)	
County Jail	1,780,363			(1,780,363)	
Emergency Medical Services	43,065		43,714	649	
Other Expenditures	23,737		3,307	(20,430)	
Depreciation	469,666			(469,666)	
Interest on Long-Term Debt	323,119			(323,119)	
Total Governmental Activities	<u>\$ 7,670,047</u>	<u>\$ 558,715</u>	<u>\$ 1,371,129</u>	<u>\$ (5,740,203)</u>	<u>\$ 0</u>
Total Primary Government	<u>\$ 7,670,047</u>	<u>\$ 558,715</u>	<u>\$ 1,371,129</u>	<u>\$ (5,740,203)</u>	<u>\$ 0</u>
<u>Component Units</u>					
Garza Public Facility Corp	\$ 35,411,344	\$ 37,909,534	\$	\$	\$ 2,498,190
Depreciation	846,416				(846,416)
Interest on Long-Term Debt	1,818,223				(1,818,223)
Total Component Units	<u>\$ 38,075,983</u>	<u>\$ 37,909,534</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (166,449)</u>
			General Revenues:		
			Property Taxes	\$ 3,769,173	\$
			Payments in Lieu of Taxes	198,688	
			Rents and Royalties	10,999	
			Gain on Sale of Assets	49,587	
			Other Revenue	57,514	
			Investment Earnings	1,631,938	884
			Total General Revenues	<u>\$ 5,717,899</u>	<u>\$ 884</u>
			Change in Net Position	\$ (22,304)	\$ (165,565)
			Net Position - Beginning	<u>5,032,214</u>	<u>7,359,640</u>
			Net Position - Ending	<u>\$ 5,009,910</u>	<u>\$ 7,194,075</u>

The accompanying notes are an integral part of this statement.

-6-
GARZA COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	Major			Non-Major Other	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund	Governmental Funds (See Exhibit C-1)	
ASSETS:					
Cash and Cash Equivalents	\$ 1,711,957	\$ 66,007	\$ 604,694	\$ 256,853	\$ 2,639,511
Investments	396,567		129,311		525,878
Restricted Investments - Held by Trustee		728,869			728,869
Taxes Receivable, Net of Allowance	52,188		7,117		59,305
Accounts Receivable, Net of Allowance	15,746	45,840	5,370	11,758	78,714
Due From Public Facility Corp	183,024				183,024
Interfund Balances	(58,544)		58,544		
Total Assets	\$ 2,300,938	\$ 840,716	\$ 805,036	\$ 268,611	\$ 4,215,301
LIABILITIES:					
Accounts Payable	\$ 88,944	\$ 22,182	\$ 98,167	\$ 12,402	\$ 221,695
Accrued Compensated Absences Payable	14,581	2,886	5,023		22,490
Accrued Wages	35,971	19,182	7,708	1,187	64,048
Other Current Liabilities	7,297				7,297
Total Liabilities	\$ 146,793	\$ 44,250	\$ 110,898	\$ 13,589	\$ 315,530
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$ 52,188		\$ 7,117		\$ 59,305
Unearned Revenue - Intergovernmental	725,102				725,102
Total Deferred Inflows of Resources	\$ 777,290	\$ 0	\$ 7,117	\$ 0	\$ 784,407
FUND BALANCES:					
Nonspendable:					
Permanent School Fund	\$	\$	\$	\$ 13,283	\$ 13,283
Restricted:					
Enabling Legislation	187,297			241,739	429,036
Debt Service		728,869			728,869
Road and Bridge			687,021		687,021
Assigned:					
Landfill	219,608				219,608
Probations	105,170				105,170
Renovations/Improvements	497,314				497,314
Jail Facility		67,597			67,597
Unassigned:					
Reported in the General Fund	367,466				367,466
Total Fund Balances	\$ 1,376,855	\$ 796,466	\$ 687,021	\$ 255,022	\$ 3,115,364
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,300,938	\$ 840,716	\$ 805,036	\$ 268,611	\$ 4,215,301

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-4

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

Total Fund Balances - Governmental Funds Balance Sheet	\$ 3,115,364
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	6,800,544
Revenues unavailable to pay for current period expenditures are deferred in the funds.	59,305
Payables for long term debt which are not due in the current period are not reported in the funds.	(5,351,108)
Payables for bond interest which are not due in the current period are not reported in the funds.	(46,613)
Net pension asset and related deferred outflows and inflows are not recognized in the governmental funds.	<u>432,418</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 5,009,910</u>

The accompanying notes are an integral part of this statement.

-8-
GARZA COUNTY, TEXAS

Exhibit A-5

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

	Major			Non-Major	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund	Other Governmental Funds (See Exhibit C-2)	
Revenue:					
Property Taxes	\$ 3,390,630	\$	\$ 462,457	\$	\$ 3,853,087
Payments in Lieu of Taxes	181,288		17,400		198,688
License and Permits	290		236,628	150	237,068
Intergovernmental Revenue and Grants	1,036,823		157,158	177,147	1,371,128
Charges for Services	15,607		5,291		20,898
Fines and Fees	220,756		41,456	38,538	300,750
Investment Earnings	8,284		2,715		10,999
Rents and Royalties	1,080,917	547,835		3,186	1,631,938
Other Revenue	50,710			6,804	57,514
Total Revenues	\$ 5,985,305	\$ 547,835	\$ 923,105	\$ 225,825	\$ 7,682,070
Expenditures:					
Current:					
County Judge	\$ 142,373	\$	\$	\$	\$ 142,373
Emergency Management Office	77,429				77,429
County Clerk	245,848				245,848
HAVA	604				604
General Administration	437,694			28,432	466,126
District Court	153,725				153,725
Justices of the Peace	246,221				246,221
County Attorney	147,037				147,037
County Treasurer	165,811				165,811
County Tax Assessor/Collector	173,855				173,855
Courthouse Maintenance	234,844			12,484	247,328
Constables	264,248				264,248
Fire Station	18,201				18,201
Law Enforcement	1,191,772				1,191,772
Weighstation	3,471				3,471
Probations	188,780				188,780
Social Services	447,760			155,697	603,457
Museum	64,817				64,817
Extension Services	53,463				53,463
Road and Bridge			939,113		939,113
County Jail		1,780,363			1,780,363
Emergency Medical Services				43,063	43,063
Other Expenditures	23,737				23,737
Debt Service:					
Principal	68,440	420,000	65,433		553,873
Interest	2,905	289,311	8,550		300,766
Total Expenditures	\$ 4,353,035	\$ 2,489,674	\$ 1,013,096	\$ 239,676	\$ 8,095,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,632,270	\$ (1,941,839)	\$ (89,991)	\$ (13,851)	\$ (413,411)
Other Financing Sources (Uses):					
Proceeds from the Sale of Assets	\$ 49,087	\$	\$ 500	\$	\$ 49,587
Transfers In (Out)	(1,728,941)	1,650,062	58,544	20,335	
Lease Proceeds	168,711				168,711
Total Other Financing Sources (Uses)	\$ (1,511,143)	\$ 1,650,062	\$ 59,044	\$ 20,335	\$ 218,298
Net Change in Fund Balances	\$ 121,127	\$ (291,777)	\$ (30,947)	\$ 6,484	\$ (195,113)
Fund Balances - Beginning	1,255,728	1,088,243	717,968	248,538	3,310,477
Fund Balances - Ending	\$ 1,376,855	\$ 796,466	\$ 687,021	\$ 255,022	\$ 3,115,364

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-6

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

Net Change in Fund Balances - Total Governmental Funds	\$ (195,113)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	168,711
The depreciation of capital assets used in governmental activities is not reported in the funds.	(469,666)
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.	194,871
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(83,914)
Change in accrued interest payable from beginning of period to end of period.	(15,723)
Debt proceeds are not recorded in the SOA because they represent additional debt payable.	(168,711)
Payments on long-term debt are recorded as expenditures in the funds.	553,873
Bond issuance discounts are not recorded in the funds.	<u>(6,632)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ (22,304)</u>

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

	<u>Custodial Funds</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ <u>529,258</u>
Total Current Assets	\$ <u><u>529,258</u></u>
NET POSITION:	
Current Liabilities	
Due to Others	\$ <u>529,258</u>
Total Current Liabilities	\$ <u><u>529,258</u></u>

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

	<u>Custodial Funds</u>
ADDITIONS:	
Fee Office Collections	\$ 365,979
Other	29,099
Total Additions	<u>\$ 395,078</u>
DEDUCTIONS:	
Distributions to State and Local Entities	\$ 195,273
Other	30,426
Total Deductions	<u>\$ 225,699</u>
CHANGE IN NET POSITION	\$ 169,379
NET POSITION:	
October 1, 2020 (Beginning)	0
Prior Period Adjustment	<u>359,879</u>
September 30, 2021 (Ending)	<u>\$ 529,258</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

GARZA COUNTY, TEXAS

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon’s Annotated Civil Statutes (V.A.C.S.).

Garza County, Texas (the County) operates under a County Judge and Commissioners’ Court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners’ Court has governance responsibilities over all activities related to Garza County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental “reporting entity” as defined by GASB, Statement No. 61, “The Financial Reporting Entity.” There is one component unit included within the reporting entity.

Component units are legally separate entities for which the County is considered to be financially accountable. The discretely presented component unit, although a legally separate entity, is in substance part of the County’s operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

The following table describes the County’s component unit:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Garza County Public Facility Corporation	Formed to Finance the Construction of Dalby Correctional Facility and the Acquisition of Garza Juvenile Correctional Facility	Discretely Presented	Not Available

The County’s major activities or departments include: Emergency Medical Services, County Jail, Road and Bridge, Extension Services, Museum, Social Services, Probations, Weighstation, Law Enforcement, Fire Station, Constables, Courthouse Maintenance, County Tax Assessor/Collector, County Treasurer, County Attorney, Justices of the Peace Precincts, District Court, General Administration, County Clerk, Emergency Management Office, and County Judge.

GARZA COUNTY, TEXAS

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The fund financial statements provide information about the County's funds, including fiduciary funds and discretely presented component units. Since the resources in the fiduciary funds cannot be used for the 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. All remaining governmental funds are aggregated and reported as nonmajor funds (other governmental funds).

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets/deferred outflows, current liabilities/deferred inflows, 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).

GARZA COUNTY, TEXAS

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

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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

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

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position.

GARZA COUNTY, TEXAS

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

D. FUND ACCOUNTING

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

The County reports the following classifications:

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

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

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

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

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

GARZA COUNTY, TEXAS

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

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

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

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

The County maintains the following Major funds:

Major Governmental Funds:

General Fund – This fund is used to account 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 and Bridge Fund – This special revenue fund is used to account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for county citizens.

Garza County Jail Fund – This special revenue fund is used to account for intergovernmental revenues received for housing prisoners and the correlating expenditures to run and maintain the county jail.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

GARZA COUNTY, TEXAS

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

E. OTHER ACCOUNTING POLICIES

1. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, vehicles, furniture and equipment, and infrastructure of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Equipment	10-60

2. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer paid by the County.

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental Funds:

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, which arise under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Government-Wide Financial Statements:

In addition to assets and liabilities, the statement of net position will report a separate section for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or retention of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources until then.

GARZA COUNTY, TEXAS

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

II. PROPERTY TAX

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 following year. 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 in January, 1980.

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

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2021 to finance maintenance and operations and road and bridge of the County was \$0.7727 per \$100 valuation.

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

GARZA COUNTY, TEXAS

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2021, the carrying amount of the County's deposits (cash, short-term certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$2,639,511 and the bank balance was \$2,828,384.

The Public Funds Investment 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.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

GARZA COUNTY, TEXAS

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

The carrying value of unrestricted investments at September 30, 2021 was \$525,878. The investments consist of:

	Cost/FMV	Fair Value Level
TexPool	\$ 163,366	NAV
TexStar	215,371	NAV
DWS - Money Market	147,141	1
	<u>\$ 525,878</u>	

The carrying value of the restricted investments - held by trustee (US Bank) at September 30, 2021 was \$728,869. The restricted investments consist of money market and certificates of deposit.

The carrying value of the restricted investments - held by trustee (US Bank) for the component unit at September 30, 2021 was \$11,150,491. The restricted investments consist of money market accounts and certificates of deposit.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board require or permit in the statements at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County's investments as of September 30, 2021 were measured at NAV or considered Level 1 of the fair value hierarchy and are value using a matrix pricing technique. TexPool, TexaStar, and DWS, had Weighted-Average Maturities of 28 days, 32 days, and 19 days.

Policies Governing Deposits and Investments

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

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

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County's other securities are exposed to custodial credit risk to extent they are not invested in United States Treasury instruments.

GARZA COUNTY, TEXAS

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

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investments were exposed to credit risk to the extent they were not invested in local government investment pools.

B. DISAGGREGATION OF RECEIVABLES

Receivables at September 30, 2021, were as follows:

	<u>Property Tax Receivables</u>	<u>Inmate Receivables</u>	<u>Grants/Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 117,468	\$ 183,024	\$ 15,746	\$ 316,238
Garza County Jail Fund		45,840		45,840
Road and Bridge Fund	16,019		5,370	21,389
Other Governmental Funds			11,758	11,758
Less: Allowance for Uncollectibles	<u>(74,182)</u>			<u>(74,182)</u>
Total - Governmental	<u>\$ 59,305</u>	<u>\$ 228,864</u>	<u>\$ 32,874</u>	<u>\$ 321,043</u>

C. CAPITAL ASSET ACTIVITY

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

	<u>Balance October 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2021</u>
Governmental Activities				
Land	\$ 66,671	\$	\$	\$ 66,671
Buildings and Equipment	12,586,453	168,711		12,755,164
Totals at Historic Cost	<u>\$ 12,653,124</u>	<u>\$ 168,711</u>	<u>\$ 0</u>	<u>\$ 12,821,835</u>
Less: Accumulated Depreciation				
Buildings and Equipment	<u>\$ 5,551,625</u>	<u>\$ 469,666</u>	<u>\$</u>	<u>\$ 6,021,291</u>
Total Accumulated Depreciation	<u>\$ 5,551,625</u>	<u>\$ 469,666</u>	<u>\$ 0</u>	<u>\$ 6,021,291</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,101,499</u>	<u>\$ (300,955)</u>	<u>\$ 0</u>	<u>\$ 6,800,544</u>

D. ACCRUED COMPENSATED ABSENCES

Accumulated unpaid leave amounts are accrued in governmental funds because they are considered a current liability based on the County's policy; therefore, they are recorded in the funds and are also reflected in the government-wide Statement of Net Position were for vacation pay in the amount of \$22,490.

GARZA COUNTY, TEXAS

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

E. LONG-TERM OBLIGATIONS

Long-term obligations include bonds, capital leases, short-term loans, and related issuance discounts. The changes in long-term obligations for the year ended September 30, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificate of Obligation					
Bonds, Series 2008	\$ 5,445,000		\$ 420,000	\$ 5,025,000	\$ 445,000
Capital Leases	344,325	168,711	133,873	379,163	116,646
Unamortized Discounts	<u>(59,687)</u>		<u>(6,632)</u>	<u>(53,055)</u>	
Totals:	<u>\$ 5,729,638</u>	<u>\$ 168,711</u>	<u>\$ 547,241</u>	<u>\$ 5,351,108</u>	<u>\$ 561,646</u>

Total Debt service requirements on Long-Term Debt at September 30, 2021, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 445,000	\$ 268,110	\$ 713,110
2023	465,000	244,218	709,218
2024	490,000	218,665	708,665
2025	520,000	191,135	711,135
2026	545,000	161,575	706,575
2027-2029	2,560,000	265,478	2,825,478
Less: Unamortized Discounts	(53,055)		(53,055)
Less: Reserve Fund		<u>(728,869)</u>	<u>(728,869)</u>
Totals	<u>\$ 4,971,945</u>	<u>\$ 620,312</u>	<u>\$ 5,592,257</u>

The Reserve Fund is held by the Trustee with US Bank.

Certificate of Obligation Bonds:

A summary of the Certificate of Obligations Bonds is as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
1/1/2008	\$ 9,240,000	4.2%-5.75%	2/15/2029	\$ 5,025,000

GARZA COUNTY, TEXAS

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

Capital Leases:

The assets acquired through capital leases are as follows:

<u>Capital Lease Assets</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 902,206
Less: Accumulated Depreciation	<u>(503,732)</u>
Totals	<u>\$ 398,474</u>

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2021, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 116,646	\$ 12,009	\$ 128,655
2023	172,759	7,984	180,743
2024	48,565	2,215	50,780
2025	41,193	919	42,112
Totals	<u>\$ 379,163</u>	<u>\$ 23,127</u>	<u>\$ 402,290</u>

The effective interest rate on capital leases is 2.65%-5.25%.

F. INTERFUND ACTIVITY

The nature and amount of Interfund Transactions are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Reason for Transfer</u>
General	\$	\$ 1,728,941	County Jail Operations and Operating Transfers
County Jail	1,650,062		Local Portion of Jail Operating Costs and Bond Payments
Road and Bridge	58,544		Operating Transfers
Non-Major Funds	<u>20,335</u>		Operating Transfers
	<u>\$ 1,728,941</u>	<u>\$ 1,728,941</u>	

GARZA COUNTY, TEXAS

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

G. RETIREMENT PENSION PLAN

Plan Description:

The County provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at Barton Oaks Plaza IV, Suite 500, 901 Mopac St., Austin, Texas 78746.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after ten years of service.

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

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

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

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 12,177,831
Less: Plan Fiduciary Net Position	(12,620,441)
Net Pension Liability (Asset)	<u>\$ (442,610)</u>
 Net Position as Percentage of Total Pension Liability	 103.63%

GARZA COUNTY, TEXAS

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

Benefits Provided:

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

Contributions:

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

The actuarial assumptions at December 31, 2020 included (a) 7.50% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.60%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 6.35% for 2020 and 5.48% for 2021. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	2020	2021
Member	7.00%	7.00%
Employer	6.35%	5.48%
FY 2021 Employer Contributions	\$	168,652
FY 2021 Member Contributions	\$	207,739

GARZA COUNTY, TEXAS

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

Actuarial Assumptions:

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line Over Remaining Expected Working Life
Smoothing Period	Five Years
Recognition Method	Non-Asymptotic
Corridor	None
Remaining Amortization Period	20.0 Years
Discount Rate	7.60%
Long-Term Expected Investment Rate of Return*	7.60%
Salary Increases*	4.60%
Payroll Growth Rate	3.00%

**Includes Inflation of 2.50%*

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

Discount Rate:

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

GARZA COUNTY, TEXAS

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

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

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

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

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

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Asset if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.60%) in measuring the 2020 Net Pension Liability.

	<u>1% Decrease in Discount Rate (6.60%)</u>	<u>Discount Rate (7.60%)</u>	<u>1% Increase in Discount Rate (8.60%)</u>
Total Pension Liability	\$ 13,655,848	\$ 12,177,831	\$ 10,930,344
Fiduciary Net Position	(12,620,441)	(12,620,441)	(12,620,441)
Net Pension Liability/(Asset)	<u>\$ 1,035,407</u>	<u>\$ (442,610)</u>	<u>\$ (1,690,097)</u>

GARZA COUNTY, TEXAS

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

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

At December 31, 2020, the County reported an asset of \$442,610 for its proportionate share of the TCDRS net pension liability.

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

For the plan year ended December 31, 2020 there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which were changes in assumptions.

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

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

	<u>Deferred (Inflows) Outflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ (211,444)
Assumption Changes or Inputs	495,404
Net Difference Between Projected and Actual Earnings	(418,848)
Contributions Paid to TCDRS Subsequent to the Measurement Date	<u>124,696</u>
Total	<u>\$ (10,192)</u>

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

	<u>Pension Expense Amount Amortization of Deferred Resources</u>
2021	\$ (21,598)
2022	129,185
2023	(65,594)
2024	(52,185)
2025	0
Thereafter	0

GARZA COUNTY, TEXAS

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

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

	<u>Deferred (Inflows) Outflows of Resources</u>
Total Net Amounts as of December 31, 2019 Measurement Date	\$ (481,052)
Contributions Made Subsequent to the Measurement Date	124,696
Contributions Made Prior to the Measurement Date	(139,211)
Experience Differences	(34,125)
Earnings Differences	(260,921)
Assumption Changes or Inputs	645,258
Amortization of Deferred (Inflows) Outflows	<u>135,163</u>
Total Net Amounts as of December 31, 2020	<u>\$ (10,192)</u>

Pension Expenses

Pension expense for the plan for the year ended December 31, 2020 was \$(28,503) and was calculated as follows:

	<u>Pension Expense</u>
Service Cost	\$ 351,012
Interest on Total Pension Liability	885,011
Administrative Expenses	9,235
Member Contributions	(210,180)
Expected Investment Return Net of Investment Expenses	(929,890)
Amortization of Deferred (Inflows) Outflows	(135,163)
Other	<u>1,472</u>
Total Pension Expense as of December 31, 2020	<u>\$ (28,503)</u>

Employees Covered by Benefit Terms:

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	31
Inactive Employees Entitled to but not Yet Receiving Benefits	63
Active Employees	<u>73</u>
Total Plan Employees	<u><u>167</u></u>

GARZA COUNTY, TEXAS

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

H. DISCRETELY PRESENTED COMPONENT UNIT

Garza County Public Facility Corporation leased Dalby Correctional Facility (the Facility) to Management and Training Corporation (MTC) in exchange for rental payments based on inmate man-days. Garza County Public Facility Corporation is a legally separate non-profit public corporation. The Corporation constructed the Facility through the issuance of lease revenue bonds (the Bonds). The County has no obligation relating to the payments under the Bonds. The Bonds are solely payable from the revenue generated from the Facility. The Facility is under an operational contract with Management and Training Corporation (MTC).

Capital Assets:

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
Component Unit				
Land	\$ 188,500	\$	\$	\$ 188,500
Correctional Facilities	<u>38,542,406</u>			<u>38,542,406</u>
Totals at Historic Cost	<u>\$ 38,730,906</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,730,906</u>
Less: Accumulated Depreciation				
Correctional Facilities	<u>\$ 15,038,710</u>	<u>\$ 846,416</u>	<u>\$</u>	<u>\$ 15,885,126</u>
Total Accumulated Depreciation	<u>\$ 15,038,710</u>	<u>\$ 846,416</u>	<u>\$ 0</u>	<u>\$ 15,885,126</u>
Component Unit Capital Assets, Net	<u>\$ 23,692,196</u>	<u>\$ (846,416)</u>	<u>\$ 0</u>	<u>\$ 22,845,780</u>

Long-Term Debt:

Series	Original Issue	Interest Rates	Maturity Date	Outstanding	Type of Debt
2012	\$ 4,165,000	7.75%	2/15/2029	\$ 2,980,000	Taxable Revenue Bonds
2012	35,890,000	6.75%-7.20%	10/1/2025	18,845,000	Taxable Revenue Refunding Bonds
2012	<u>(1,929,675)</u>			<u>(772,158)</u>	Unamortized Discounts
	<u>\$ 38,125,325</u>			<u>\$ 21,052,842</u>	

GARZA COUNTY, TEXAS

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

Debt Service Requirements:

	Component Unit		
	Principal	Interest	Total
Year Ending September 30,			
2019	\$ 2,850,000.00	\$ 1,484,626.00	\$ 4,334,626
2020	3,060,000.00	1,270,684.00	4,330,684
2021	3,275,000.00	1,041,345.00	4,316,345
2022	3,515,000.00	795,530.00	4,310,530
2023	7,355,000.00	402,725.00	7,757,725
2024-2028	1,770,000.00	332,861.00	2,102,861
Less: Reserve Fund		(3,986,600)	(3,986,600)
Less: Unamortized Discounts	(772,158)		(772,158)
Totals	\$ <u>21,052,842</u>	\$ <u>1,341,171</u>	\$ <u>22,394,013</u>

I. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

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

Subsequent to year end the County's Component Unit, Garza County Public Facility Corporation, was notified that the Public Facility Corporation's major contract with the Federal Bureau of Prisons was not going to be renewed effective June 2022. This contract was materially the only source of revenue for the Public Facility Corporation since inception. Management is actively seeking a new contract that will replace the lost revenue from the Federal Bureau of Prisons. Garza County, Texas has asserted they will not be considered liable for any default on bond issuances from the Public Facility Corporation.

REQUIRED SUPPLEMENTARY INFORMATION

-32-
GARZA COUNTY, TEXAS

Exhibit B-1

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

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
TOTAL PENSION LIABILITY:							
Service Cost	\$ 351,992	\$ 406,526	\$ 389,677	\$ 359,647	\$ 341,986	\$ 343,821	\$ 351,012
Interest Cost	645,370	688,233	730,289	777,834	826,485	830,775	885,011
Effect of Plan Changes		(54,034)					
Effect of Economic/Demographic losses	(48,918)	(104,235)	(173,992)	(54,003)	(630,764)	(34,717)	(34,125)
Effect of Assumption Changes or Inputs		104,863		57,305			645,258
Benefit Payments/Refunds of Contributions	<u>(472,120)</u>	<u>(469,682)</u>	<u>(509,018)</u>	<u>(546,906)</u>	<u>(497,117)</u>	<u>(475,622)</u>	<u>(479,425)</u>
Net Change in Total Pension Liability	\$ 476,324	\$ 571,671	\$ 436,956	\$ 593,877	\$ 40,590	\$ 664,257	\$ 1,367,731
Total Pension Liability, Beginning	<u>8,026,425</u>	<u>8,502,749</u>	<u>9,074,420</u>	<u>9,511,376</u>	<u>10,105,253</u>	<u>10,145,843</u>	<u>10,810,100</u>
Total Pension Liability, Ending	\$ <u>8,502,749</u>	\$ <u>9,074,420</u>	\$ <u>9,511,376</u>	\$ <u>10,105,253</u>	\$ <u>10,145,843</u>	\$ <u>10,810,100</u>	\$ <u>12,177,831</u>
FIDUCIARY NET POSITION:							
Employer Contributions	\$ 255,203	\$ 239,873	\$ 229,129	\$ 207,072	\$ 209,442	\$ 214,204	\$ 180,883
Member Contributions	210,167	209,942	209,659	203,869	206,202	209,126	210,180
Investment Income, Net of Expenses	543,248	644	631,428	1,320,510	(191,634)	1,634,877	1,190,811
Benefit Payments/Refunds of Contributions	(472,120)	(469,682)	(509,018)	(546,906)	(497,117)	(475,622)	(479,425)
Administrative Expenses	(6,355)	(6,123)	(6,859)	(6,808)	(7,996)	(8,785)	(9,235)
Other	<u>(44,387)</u>	<u>62,804</u>	<u>(25,622)</u>	<u>(1,886)</u>	<u>(1,400)</u>	<u>(186)</u>	<u>(1,472)</u>
Net Change in Fiduciary Net Position	\$ 485,756	\$ 37,458	\$ 528,717	\$ 1,175,851	\$ (282,503)	\$ 1,573,614	\$ 1,091,742
Fiduciary Net Position, Beginning	<u>8,009,806</u>	<u>8,495,562</u>	<u>8,533,020</u>	<u>9,061,737</u>	<u>10,237,588</u>	<u>9,955,085</u>	<u>11,528,699</u>
Fiduciary Net Position, Ending	\$ <u>8,495,562</u>	\$ <u>8,533,020</u>	\$ <u>9,061,737</u>	\$ <u>10,237,588</u>	\$ <u>9,955,085</u>	\$ <u>11,528,699</u>	\$ <u>12,620,441</u>
NET PENSION LIABILITY (ASSET):	\$ <u>7,187</u>	\$ <u>541,400</u>	\$ <u>449,639</u>	\$ <u>(132,335)</u>	\$ <u>190,758</u>	\$ <u>(718,599)</u>	\$ <u>(442,610)</u>
Fiduciary Net Position as a % of Total Pension Liability (Asset)	<u>99.92%</u>	<u>94.03%</u>	<u>95.27%</u>	<u>101.31%</u>	<u>98.12%</u>	<u>106.65%</u>	<u>103.63%</u>
County's Covered Employee Payroll	\$ <u>3,002,392</u>	\$ <u>2,987,265</u>	\$ <u>2,995,132</u>	\$ <u>2,912,408</u>	\$ <u>2,945,736</u>	\$ <u>2,987,509</u>	\$ <u>3,002,573</u>
Net Pension Liability (Asset) as a % of Covered Employee Payroll	<u>0.24%</u>	<u>18.12%</u>	<u>15.01%</u>	<u>-4.54%</u>	<u>6.48%</u>	<u>-24.05%</u>	<u>-14.74%</u>

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

GARZA COUNTY, TEXAS

Exhibit B-2

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

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 243,726	\$ 243,726	\$ 0	\$ 2,989,641	8.15%
2016	\$ 234,062	\$ 234,062	\$ 0	\$ 3,019,275	7.75%
2017	\$ 211,072	\$ 211,072	\$ 0	\$ 2,908,807	7.26%
2018	\$ 208,328	\$ 208,328	\$ 0	\$ 2,930,074	7.11%
2019	\$ 211,536	\$ 211,536	\$ 0	\$ 2,957,049	7.15%
2020	\$ 198,696	\$ 198,696	\$ 0	\$ 3,139,985	6.33%
2021	\$ 168,652	\$ 168,652	\$ 0	\$ 2,967,696	5.68%

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

-34-
GARZA COUNTY, TEXAS

Exhibit B-3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
Revenue:				
Property Taxes	\$ 3,342,847	\$ 3,342,847	\$ 3,390,630	\$ 47,783
Payments in Lieu of Taxes	180,384	180,384	181,288	904
License and Permits	1,100	1,100	290	(810)
Intergovernmental Revenue and Grants	910,330	915,330	1,036,823	121,493
Charges for Services	19,900	19,900	15,607	(4,293)
Fines and Fees	214,013	214,013	220,756	6,743
Investment Earnings	41,345	41,345	8,284	(33,061)
Rents and Royalties	1,111,400	1,111,400	1,080,917	(30,483)
Other Revenue	50,323	50,323	50,710	387
Total Revenues	<u>\$ 5,871,642</u>	<u>\$ 5,876,642</u>	<u>\$ 5,985,305</u>	<u>\$ 108,663</u>
Expenditures:				
Current:				
County Judge	\$ 159,225	\$ 159,225	\$ 142,373	\$ 16,852
Emergency Management Office	84,455	84,455	77,429	7,026
County Clerk	259,831	259,831	245,848	13,983
HAVA	1,690	1,690	604	1,086
General Administration	1,174,058	1,174,058	437,694	736,364
District Court	155,701	155,701	153,725	1,976
Justices of the Peace	248,110	249,310	246,221	3,089
County Attorney	150,941	150,941	147,037	3,904
County Treasurer	178,808	178,808	165,811	12,997
County Tax Assessor/Collector	176,501	176,501	173,855	2,646
Courthouse Maintenance	255,373	265,788	234,844	30,944
Constables	286,699	286,699	264,248	22,451
Fire Station	24,400	24,400	18,201	6,199
Law Enforcement	1,107,721	1,153,188	1,191,772	(38,584)
Weighstation	5,100	5,100	3,471	1,629
Probations	149,765	149,359	188,780	(39,421)
Social Services	438,943	443,943	447,760	(3,817)
Museum	64,732	64,732	64,817	(85)
Extension Services	57,899	57,899	53,463	4,436
Other Expenditures	32,641	32,641	23,737	8,904
Debt Service:				
Principal			68,440	(68,440)
Interest			2,905	(2,905)
Total Expenditures	<u>\$ 5,012,593</u>	<u>\$ 5,074,269</u>	<u>\$ 4,353,035</u>	<u>\$ 721,234</u>
Excess of Revenues Over Expenditures	<u>\$ 859,049</u>	<u>\$ 802,373</u>	<u>\$ 1,632,270</u>	<u>\$ 829,897</u>
Other Financing Uses:				
Proceeds from the Sale of Assets	\$	\$ 45,467	\$ 49,087	\$ 3,620
Transfers In/Out	(859,050)	(848,635)	(1,728,941)	(880,306)
Debt Proceeds			168,711	168,711
Total Other Financing Uses	<u>\$ (859,050)</u>	<u>\$ (803,168)</u>	<u>\$ (1,511,143)</u>	<u>\$ (707,975)</u>
Net Changes in Fund Balance	\$ (1)	\$ (795)	\$ 121,127	\$ <u>121,922</u>
Fund Balances - Beginning	<u>1,255,728</u>	<u>1,255,728</u>	<u>1,255,728</u>	
Fund Balances - Ending	<u>\$ 1,255,727</u>	<u>\$ 1,254,933</u>	<u>\$ 1,376,855</u>	

-35-
GARZA COUNTY, TEXAS

Exhibit B-4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COUNTY JAIL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Rents and Royalties	\$ 760,000	\$ 760,000	\$ 547,835	\$ (212,165)
Total Revenues	\$ 760,000	\$ 760,000	\$ 547,835	\$ (212,165)
Expenditures:				
Current:				
County Jail	\$ 1,633,355	\$ 1,633,355	\$ 1,780,363	\$ (147,008)
Debt Service:				
Principal			420,000	(420,000)
Interest			289,311	(289,311)
Total Expenditures	\$ 1,633,355	\$ 1,633,355	\$ 2,489,674	\$ (856,319)
Deficiency of Revenues Under Expenditures	\$ (873,355)	\$ (873,355)	\$ (1,941,839)	\$ (1,068,484)
Other Financing Sources:				
Transfers In	\$ 873,355	\$ 873,355	\$ 1,650,062	\$ 776,707
Total Other Financing Sources	\$ 873,355	\$ 873,355	\$ 1,650,062	\$ 776,707
Net Changes in Fund Balance	\$ 0	\$ 0	\$ (291,777)	\$ (291,777)
Fund Balances - Beginning	1,088,243	1,088,243	1,088,243	
Fund Balances - Ending	\$ 1,088,243	\$ 1,088,243	\$ 796,466	

GARZA COUNTY, TEXAS

Exhibit B-5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 455,843	\$ 455,843	\$ 462,457	\$ 6,614
Payments in Lieu of Taxes	17,400	17,400	17,400	0
License and Permits	196,500	196,500	236,628	40,128
Intergovernmental Revenue and Grants	34,931	188,215	157,158	(31,057)
Charges for Services	12,100	12,100	5,291	(6,809)
Fines and Fees	60,000	60,000	41,456	(18,544)
Investment Earnings	12,000	12,000	2,715	(9,285)
Total Revenues	<u>\$ 788,774</u>	<u>\$ 942,058</u>	<u>\$ 923,105</u>	<u>\$ (18,953)</u>
Expenditures:				
Current:				
Road and Bridge	\$ 778,947	\$ 951,848	\$ 939,113	\$ 12,735
Debt Service:				
Principal	59,934	59,934	65,433	(5,499)
Interest	2,784	2,784	8,550	(5,766)
Total Expenditures	<u>\$ 841,665</u>	<u>\$ 1,014,566</u>	<u>\$ 1,013,096</u>	<u>\$ 1,470</u>
Deficiency of Revenues Under Expenditures	<u>\$ (52,891)</u>	<u>\$ (72,508)</u>	<u>\$ (89,991)</u>	<u>\$ (17,483)</u>
Other Financing Sources:				
Proceeds from the Sale of Assets	\$	\$	\$ 500	\$ 500
Transfers In	27,657	30,657	58,544	27,887
Total Other Financing Sources	<u>\$ 27,657</u>	<u>\$ 30,657</u>	<u>\$ 59,044</u>	<u>\$ 28,387</u>
Net Changes in Fund Balance	\$ (25,234)	\$ (41,851)	\$ (30,947)	<u>\$ 10,904</u>
Fund Balances - Beginning	<u>717,968</u>	<u>717,968</u>	<u>717,968</u>	
Fund Balances - Ending	<u>\$ 692,734</u>	<u>\$ 676,117</u>	<u>\$ 687,021</u>	

GARZA COUNTY, TEXAS

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

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

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

B. BUDGETARY DATA

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

1. The County Judge, as budget officer, 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.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or before September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2020-2021 budget were approved by the Commissioners' Court as provided by law.

COMBINING STATEMENTS

-38-
GARZA COUNTY, TEXAS

Exhibit C-1

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

	Special Revenue Funds						Other	Total
	Commercial Residential Permits	Victims Assistance	Courthouse Security	Preservation and Records Management	Justice of the Peace Technology	Garza County EMS	Governmental Funds (See Exhibit C-3)	Non-Major Governmental Funds (See Exhibit A-3)
ASSETS:								
Cash and Cash Equivalents	\$ 9,056	\$ 3,640	\$ 22,127	\$ 126,652	\$ 45,310	\$ 8,820	\$ 41,248	\$ 256,853
Accounts Receivable, Net of Allowance		81	650	4,382	403	2	6,240	11,758
Total Assets	<u>\$ 9,056</u>	<u>\$ 3,721</u>	<u>\$ 22,777</u>	<u>\$ 131,034</u>	<u>\$ 45,713</u>	<u>\$ 8,822</u>	<u>\$ 47,488</u>	<u>\$ 268,611</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$	\$	\$	\$	\$	\$	\$ 12,402	\$ 12,402
Accrued Wages			533			654		1,187
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 533</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 654</u>	<u>\$ 12,402</u>	<u>\$ 13,589</u>
FUND BALANCES:								
Permanently Restricted for:								
County Schools	\$	\$	\$	\$	\$	\$	\$ 13,283	\$ 13,283
Restricted for:								
Enabling Legislation	9,056	3,721	22,244	131,034	45,713	8,168	21,803	241,739
Total Fund Balances	<u>\$ 9,056</u>	<u>\$ 3,721</u>	<u>\$ 22,244</u>	<u>\$ 131,034</u>	<u>\$ 45,713</u>	<u>\$ 8,168</u>	<u>\$ 35,086</u>	<u>\$ 255,022</u>
Total Liabilities and Fund Balances	<u>\$ 9,056</u>	<u>\$ 3,721</u>	<u>\$ 22,777</u>	<u>\$ 131,034</u>	<u>\$ 45,713</u>	<u>\$ 8,822</u>	<u>\$ 47,488</u>	<u>\$ 268,611</u>

-39-
GARZA COUNTY, TEXAS

Exhibit C-2

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

	Special Revenue Funds						Other Governmental Funds (See Exhibit C-4)	Total Non-Major Governmental Funds (See Exhibit A-5)
	Commercial Residential Permits	Victims Assistance	Courthouse Security	Preservation and Records Management	Justice of the Peace Technology	Garza County EMS		
Revenue:								
Licenses and Permits	\$ 150	\$	\$	\$	\$	\$ 43,714	\$ 132,260	\$ 150
Intergovernmental Revenue and Grants		1,173						177,147
Fines and Fees			6,761	27,119	4,658			38,538
Investment Earnings		12	95	475	178	83	2,343	3,186
Other Revenues							6,804	6,804
Total Revenues	<u>\$ 150</u>	<u>\$ 1,185</u>	<u>\$ 6,856</u>	<u>\$ 27,594</u>	<u>\$ 4,836</u>	<u>\$ 43,797</u>	<u>\$ 141,407</u>	<u>\$ 225,825</u>
Expenditures:								
Current:								
General Administration	\$	\$	\$ 23,577	\$	\$ 3,824	\$	\$ 4,855	\$ 28,432
Courthouse Maintenance				8,660				12,484
Social Services							155,697	155,697
Emergency Medical Services						43,063		43,063
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,577</u>	<u>\$ 8,660</u>	<u>\$ 3,824</u>	<u>\$ 43,063</u>	<u>\$ 160,552</u>	<u>\$ 239,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 150</u>	<u>\$ 1,185</u>	<u>\$ (16,721)</u>	<u>\$ 18,934</u>	<u>\$ 1,012</u>	<u>\$ 734</u>	<u>\$ (19,145)</u>	<u>\$ (13,851)</u>
Other Financing Sources:								
Transfers In	\$	\$	\$ 20,335	\$	\$	\$	\$	\$ 20,335
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,335</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,335</u>
Net Change in Fund Balances	\$ 150	\$ 1,185	\$ 3,614	\$ 18,934	\$ 1,012	\$ 734	\$ (19,145)	\$ 6,484
Fund Balances - Beginning	8,906	2,536	18,630	112,100	44,701	7,434	54,231	248,538
Fund Balances - Ending	<u>\$ 9,056</u>	<u>\$ 3,721</u>	<u>\$ 22,244</u>	<u>\$ 131,034</u>	<u>\$ 45,713</u>	<u>\$ 8,168</u>	<u>\$ 35,086</u>	<u>\$ 255,022</u>

GARZA COUNTY, TEXAS

Exhibit C-3

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

	Special Revenue Funds					Permanent Fund	Total Non-Major Governmental Funds (See Exhibit C-1)
	Voter Registration	Garza County Title IV-E	County Estray Fee	National School Lunch Program	Available School	Permanent School	
ASSETS:							
Cash and Cash Equivalents	\$ 67	\$ 8,457	\$ 5,472	\$ 12,132	\$ 250	\$ 14,870	\$ 41,248
Accounts Receivables, Net of Allowance		2	1	6,234		3	6,240
Interfund Balances					1,590	(1,590)	
Total Assets	<u>\$ 67</u>	<u>\$ 8,459</u>	<u>\$ 5,473</u>	<u>\$ 18,366</u>	<u>\$ 1,840</u>	<u>\$ 13,283</u>	<u>\$ 47,488</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$	\$	\$	\$ 12,402	\$	\$	\$ 12,402
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,402</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,402</u>
FUND BALANCES:							
Permanently Restricted for:							
County Schools	\$	\$	\$	\$	\$	\$ 13,283	\$ 13,283
Restricted for:							
Enabling Legislation	67	8,459	5,473	5,964	1,840		21,803
Total Fund Balances	<u>\$ 67</u>	<u>\$ 8,459</u>	<u>\$ 5,473</u>	<u>\$ 5,964</u>	<u>\$ 1,840</u>	<u>\$ 13,283</u>	<u>\$ 35,086</u>
Total Liabilities and Fund Balances	<u>\$ 67</u>	<u>\$ 8,459</u>	<u>\$ 5,473</u>	<u>\$ 18,366</u>	<u>\$ 1,840</u>	<u>\$ 13,283</u>	<u>\$ 47,488</u>

GARZA COUNTY, TEXAS

Exhibit C-4

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

	Special Revenue Funds					Permanent Fund	Total Non-Major Governmental Funds (See Exhibit C-2)
	Voter Registration	Garza County Title IV-E	County Estray Fee	National School Lunch Program	Available School	Permanent School	
Revenue:							
Intergovernmental Revenue and Grants	\$	\$	\$	\$ 132,260	\$	\$	\$ 132,260
Investment Earnings		34	35	64	2	2,208	2,343
Other Revenue				6,804			6,804
Total Revenues	\$ 0	\$ 34	\$ 35	\$ 139,128	\$ 2	\$ 2,208	\$ 141,407
Expenditures:							
Current:							
General Administration	\$ 583	\$	\$ 4,000	\$	\$ 272	\$	\$ 4,855
Social Services				155,697			155,697
Total Expenditures	\$ 583	\$ 0	\$ 4,000	\$ 155,697	\$ 272	\$ 0	\$ 160,552
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (583)	\$ 34	\$ (3,965)	\$ (16,569)	\$ (270)	\$ 2,208	\$ (19,145)
Other Financing Sources (Uses):							
Transfers In/(Out)	\$	\$	\$	\$	\$ 272	\$ (272)	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 272	\$ (272)	\$ 0
Net Change in Fund Balances	\$ (583)	\$ 34	\$ (3,965)	\$ (16,569)	\$ 2	\$ 1,936	\$ (19,145)
Fund Balances - Beginning	650	8,425	9,438	22,533	1,838	11,347	54,231
Fund Balances - Ending	\$ 67	\$ 8,459	\$ 5,473	\$ 5,964	\$ 1,840	\$ 13,283	\$ 35,086

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Garza County, Texas, (the County) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Garza County, Texas' basic financial statements, and have issued our report thereon dated March 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) 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 County's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 22, 2022