

GARZA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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, 2023

GARZA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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GARZA COUNTY, TEXAS
COUNTY OFFICIALS AS OF
SEPTEMBER 30, 2023

Lee Norman	County Judge
Jeff Williams	Commissioner Precinct 1
Kim Wilks	Commissioner Precinct 2
Ted Brannon	Commissioner Precinct 3
Giles W Dalby Jr	Commissioner Precinct 4
Terri Laurence	County and District 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

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

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

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 Audit of the Financial Statements

Qualified and Unmodified Opinions

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 (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Discretely Presented Component Unit	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Discretely Presented Component Unit, Major Governmental Funds, and Aggregate Remaining Fund Information.

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

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

GAAP requires that the schedule of changes in net pension asset and related ratios, schedule of employer contributions, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining non-major fund financial statements are fairly stated, in all material aspects, 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 January 16, 2024 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

January 16, 2024

BASIC FINANCIAL STATEMENTS

GARZA COUNTY, TEXAS

Exhibit A-1

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	<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	\$ 2,590,774	\$
Investments	517,853	
Restricted Investments - Held by Trustee		7,313,676
Taxes Receivable, Net	87,852	
Accounts Receivable, Net	164,683	1,015,365
Fee Office Receivables	1,900,908	
Allowance for Uncollectible Fee Office Receivables (Credit)	(1,817,246)	
Due From Public Facility Corp	303,079	
Net Pension Asset	708,502	
Capital Assets, Net:		
Nondepreciable	66,671	188,500
Depreciable, Net	6,131,174	20,964,448
Total Assets	<u>\$ 10,654,250</u>	<u>\$ 29,481,989</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Plan	\$ 559,401	\$
Deferred Loss on Refunding	126,397	
Total Deferred Outflows of Resources	<u>\$ 685,798</u>	<u>\$ 0</u>
LIABILITIES:		
Accounts Payable	\$ 149,916	\$
Accrued Interest Payable	17,540	527,380
Due to County		303,079
Accrued Compensated Absences	26,562	
Accrued Wages Payable	109,805	
Other Current Liabilities	9,423	
Noncurrent Liabilities:		
Due Within One Year	540,967	3,275,000
Due in More Than One Year	3,091,740	12,174,048
Total Liabilities	<u>\$ 3,945,953</u>	<u>\$ 16,279,507</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Plan	\$ 58,554	\$
Unavailable Revenue - Intergovernmental	415,681	
Total Deferred Inflows of Resources	<u>\$ 474,235</u>	<u>\$ 0</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 2,565,138	\$ 5,703,900
Restricted For:		
County Schools - Non-Spendable	21,123	
Enabling Legislation	459,399	
Debt Service		4,158,142
Road and Bridge	860,769	
Net Pension Asset	708,502	
Unrestricted	<u>2,304,929</u>	<u>3,340,440</u>
Total Net Position	<u><u>\$ 6,919,860</u></u>	<u><u>\$ 13,202,482</u></u>

The accompanying notes are an integral part of this statement.

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GARZA COUNTY, TEXAS

Exhibit A-2

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Departments/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Fines, Fees & Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Garza Public Facility Corp.
Net (Expense) Revenue					
Governmental Activities					
County Judge	\$ 149,356	\$ 14	\$ 25,200	\$ (124,142)	\$
Emergency Management Office	78,260			(78,260)	
County Clerk	204,626	75,344	810	(128,472)	
Joint Elections	55,492		29,070	(26,422)	
General Administration	395,247	4,430	457,858	67,041	
District Court	185,428	107,271	5,981	(72,176)	
Justices of the Peace	258,981	145,317		(113,664)	
County Attorney	151,151	917	32,590	(117,644)	
County Treasurer	189,063	13,409		(175,654)	
County Tax Assessor/Collector	173,696	27,435		(146,261)	
Courthouse Maintenance	472,269	9,609		(462,660)	
Constables	123,744	4,797		(118,947)	
Fire Station	19,351			(19,351)	
Law Enforcement	1,061,171	2,109	801,773	(257,289)	
Weighstation	3,697			(3,697)	
Probations	160,175			(160,175)	
Social Services	693,715	11,753	252,482	(429,480)	
Museum	68,345			(68,345)	
Extension Services	57,668			(57,668)	
Prison	70,369			(70,369)	
Road and Bridge	801,058	300,659	79,627	(420,772)	
County Jail	1,959,843		73,422	(1,886,421)	
Emergency Medical Services	45,401		46,095	694	
Other Expenditures	49,628			(49,628)	
Depreciation	427,825			(427,825)	
Bond Issuance Costs	69,637			(69,637)	
Interest on Long-Term Debt	77,842			(77,842)	
Total Governmental Activities	\$ 8,003,038	\$ 703,064	\$ 1,804,908	\$ (5,495,066)	\$ 0
Total Primary Government	\$ 8,003,038	\$ 703,064	\$ 1,804,908	\$ (5,495,066)	\$ 0
Component Units					
Garza Public Facility Corp	\$ 2,936,196	\$ 6,891,551	\$	\$	\$ 3,955,355
Depreciation	846,416				(846,416)
Interest on Long-Term Debt	1,317,973				(1,317,973)
Total Component Units	\$ 5,100,585	\$ 6,891,551	\$ 0	\$ 0	\$ 1,790,966
General Revenues:					
Property Taxes				\$ 3,860,640	\$
Payments in Lieu of Taxes				198,479	
Rents and Royalties				1,948,663	
Gain on Sale of Assets				2,097	
Other Revenue				128,517	
Investment Earnings				188,616	245,411
Total General Revenues				\$ 6,327,012	\$ 245,411
Change in Net Position				\$ 831,946	\$ 2,036,377
Net Position - Beginning				6,087,914	11,166,105
Net Position - Ending				\$ 6,919,860	\$ 13,202,482

The accompanying notes are an integral part of this statement.

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GARZA COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	Major			Non-Major Other Governmental Funds (See Exhibit C-1)	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund		
ASSETS:					
Cash and Cash Equivalents	\$ 1,396,532	\$ 39,185	\$ 788,738	\$ 366,319	\$ 2,590,774
Investments	415,840		102,013		517,853
Taxes Receivable, Net of Allowance	77,310		10,542		87,852
Accounts Receivable, Net of Allowance	45,426	91,006	12,268	15,983	164,683
Due From Public Facility Corp	303,079				303,079
Total Assets	<u>\$ 2,238,187</u>	<u>\$ 130,191</u>	<u>\$ 913,561</u>	<u>\$ 382,302</u>	<u>\$ 3,664,241</u>
LIABILITIES:					
Accounts Payable	\$ 96,385	\$ 17,588	\$ 24,718	\$ 11,225	\$ 149,916
Accrued Compensated Absences Payable	14,432	6,380	5,276	474	26,562
Accrued Wages	65,277	31,188	12,256	1,084	109,805
Other Current Liabilities	9,423				9,423
Total Liabilities	<u>\$ 185,517</u>	<u>\$ 55,156</u>	<u>\$ 42,250</u>	<u>\$ 12,783</u>	<u>\$ 295,706</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$ 77,310		\$ 10,542		\$ 87,852
Unearned Revenue - Intergovernmental	415,681				415,681
Total Deferred Inflows of Resources	<u>\$ 492,991</u>	<u>\$ 0</u>	<u>\$ 10,542</u>	<u>\$ 0</u>	<u>\$ 503,533</u>
FUND BALANCES:					
Nonspendable:					
Permanent School Fund	\$	\$	\$	\$ 21,123	\$ 21,123
Restricted:					
Enabling Legislation	111,003			348,396	459,399
Road and Bridge			860,769		860,769
Assigned:					
Landfill	244,650				244,650
Probations	103,713				103,713
Renovations/Improvements	329,325				329,325
Jail Facility		75,035			75,035
Unassigned:					
Reported in the General Fund	770,988				770,988
Total Fund Balances	<u>\$ 1,559,679</u>	<u>\$ 75,035</u>	<u>\$ 860,769</u>	<u>\$ 369,519</u>	<u>\$ 2,865,002</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,238,187</u>	<u>\$ 130,191</u>	<u>\$ 913,561</u>	<u>\$ 382,302</u>	<u>\$ 3,664,241</u>

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, 2023**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 2,865,002
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.	6,197,845
Revenues unavailable to pay for current period expenditures are deferred in the funds.	87,852
Payables for long term debt which are not due in the current period are not reported in the funds.	(3,632,707)
Payables for bond interest which are not due in the current period are not reported in the funds.	(17,540)
Deferred Outflows related to loss on bond refundings are not recorded in the funds.	126,397
To record Justice of the Peace and County/District Clerk Fines.	83,662
Net pension asset and related deferred outflows and inflows are not recognized in the governmental funds.	<u>1,209,349</u>
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>6,919,860</u></u>

The accompanying notes are an integral part of this statement.

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GARZA COUNTY, TEXAS

Exhibit A-5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	Major			Non-Major Other Governmental Funds (See Exhibit C-2)	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund		
Revenue:					
Property Taxes	\$ 3,375,109	\$	\$ 460,031	\$	\$ 3,835,140
Payments in Lieu of Taxes	181,079		17,400		198,479
License and Permits			242,731		242,731
Intergovernmental Revenue and Grants	1,447,836	73,422	79,627	204,023	1,804,908
Charges for Services	11,754		4,365		16,119
Fines and Fees	261,845		53,563	45,144	360,552
Investment Earnings	121,736	262	46,988	19,630	188,616
Rents and Royalties	887,273	1,061,390			1,948,663
Other Revenue	128,502			15	128,517
Total Revenues	\$ 6,415,134	\$ 1,135,074	\$ 904,705	\$ 268,812	\$ 8,723,725
Expenditures:					
Current:					
County Judge	\$ 149,356	\$	\$	\$	\$ 149,356
Emergency Management Office	78,260				78,260
County Clerk	204,626				204,626
Joint Elections	55,492				55,492
General Administration	550,438			605	551,043
District Court	185,428				185,428
Justices of the Peace	258,981				258,981
County Attorney	151,151				151,151
County Treasurer	189,063				189,063
County Tax Assessor/Collector	173,696				173,696
Courthouse Maintenance	467,033			5,236	472,269
Constables	123,744				123,744
Fire Station	19,351				19,351
Law Enforcement	1,061,171				1,061,171
Weighstation	3,697				3,697
Probations	160,175				160,175
Social Services	560,460			133,255	693,715
Museum	68,345				68,345
Extension Services	57,668				57,668
Prison	70,369				70,369
Road and Bridge			848,992		848,992
County Jail		1,971,843			1,971,843
Emergency Medical Services				45,401	45,401
Other Expenditures	49,628				49,628
Debt Service:					
Principal	594,553		29,463		624,016
Bond Issuance Costs	69,637				69,637
Interest	111,196		5,203		116,399
Total Expenditures	\$ 5,413,518	\$ 1,971,843	\$ 883,658	\$ 184,497	\$ 8,453,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,001,616	\$ (836,769)	\$ 21,047	\$ 84,315	\$ 270,209
Other Financing Sources (Uses):					
Proceeds from the Sale of Assets	\$ 2,097	\$	\$	\$	\$ 2,097
Transfers In (Out)	95,337	(141,410)	46,073		
Payments to Refunding Bond Escrow Agent	(4,680,248)				(4,680,248)
Debt Proceeds	4,031,280				4,031,280
Total Other Financing Sources (Uses)	\$ (551,534)	\$ (141,410)	\$ 46,073	\$ 0	\$ (646,871)
Net Change in Fund Balances	\$ 450,082	\$ (978,179)	\$ 67,120	\$ 84,315	\$ (376,662)
Fund Balances - Beginning	1,109,597	1,053,214	793,649	285,204	3,241,664
Fund Balances - Ending	\$ 1,559,679	\$ 75,035	\$ 860,769	\$ 369,519	\$ 2,865,002

The accompanying notes are an integral part of this statement.

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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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ (376,662)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	97,990
The depreciation of capital assets used in governmental activities is not reported in the funds.	(427,825)
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.	117,740
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	25,500
Change in the Justice of the Peace and County/District Clerk fines receivable.	83,662
Change in accrued interest payable from beginning of period to end of period.	34,363
Debt proceeds and bond premiums are not recorded in the SOA because they represent additional debt payable.	(4,031,280)
Payments on long-term debt are recorded as expenditures in the funds.	624,016
Payments to Refunding Bond Escrow Agent are recorded as other uses in the funds.	4,680,248
Bond issuance discounts and premiums are not recorded or amortized in the funds.	4,194
	<hr/>
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u><u>831,946</u></u>

The accompanying notes are an integral part of this statement.

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GARZA COUNTY, TEXAS

Exhibit A-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2023**

	<u>Custodial Funds</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ <u>436,076</u>
Total Current Assets	\$ <u><u>436,076</u></u>
NET POSITION:	
Restricted for:	
Individuals, Organizations, and Other Governments	\$ <u>436,076</u>
Total Net Position	\$ <u><u>436,076</u></u>

The accompanying notes are an integral part of this statement.

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GARZA COUNTY, TEXAS

Exhibit A-8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2023**

	<u>Custodial Funds</u>
ADDITIONS:	
Fee Office Collections	\$ 6,288,164
Other	<u>2,070</u>
Total Additions	\$ <u>6,290,234</u>
 DEDUCTIONS:	
Distributions to State and Local Entities	\$ 6,275,004
Other	<u>1,739</u>
Total Deductions	\$ <u>6,276,743</u>
 CHANGE IN NET POSITION	 \$ 13,491
 NET POSITION:	
October 1, 2022 (Beginning)	 <u>422,585</u>
September 30, 2023 (Ending)	\$ <u><u>436,076</u></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, 2023**

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, County 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, 2023**

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, 2023**

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, 2023**

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, 2023**

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.

Custodial Funds:

Custodial 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 Custodial Funds.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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, 2023**

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 County's and for the State Property Tax Board which commenced operation in January, 1980.

The County is permitted by 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, 2023 to finance maintenance and operations and road and bridge of the County was \$0.71 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.

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, 2023, 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 \$2,590,774 and the bank balance was \$2,790,839.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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.

The carrying value of unrestricted investments at September 30, 2023 was \$517,853. The investments consist of:

	Cost/FMV	Fair Value Level
TexPool	\$ 171,388	NAV
TexStar	225,816	NAV
DWS - Money Market	120,649	1
	<u>\$ 517,853</u>	

The carrying value of the restricted investments - held by trustee (US Bank) for the component unit at September 30, 2023 was \$7,313,676. The restricted investments consist of money market accounts and certificates of deposit.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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, 2023 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, 2023 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.

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, 2023, 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	\$ 144,260	\$	\$ 45,426	\$ 189,686
Garza County Jail Fund		70,485	20,521	91,006
Road and Bridge Fund	19,673		12,268	31,941
Other Governmental Funds			15,983	15,983
Less: Allowance for Uncollectibles	(76,081)			(76,081)
Total - Governmental	<u>\$ 87,852</u>	<u>\$ 70,485</u>	<u>\$ 94,198</u>	<u>\$ 252,535</u>

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

C. CAPITAL ASSET ACTIVITY

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

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Governmental Activities				
Land	\$ 66,671	\$	\$	\$ 66,671
Buildings and Equipment	12,916,374	97,990		13,014,364
Totals at Historic Cost	<u>\$ 12,983,045</u>	<u>\$ 97,990</u>	<u>\$ 0</u>	<u>\$ 13,081,035</u>
Less: Accumulated Depreciation				
Buildings and Equipment	\$ 6,455,365	\$ 427,825	\$	\$ 6,883,190
Total Accumulated Depreciation	<u>\$ 6,455,365</u>	<u>\$ 427,825</u>	<u>\$ 0</u>	<u>\$ 6,883,190</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,527,680</u>	<u>\$ (329,835)</u>	<u>\$ 0</u>	<u>\$ 6,197,845</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 \$26,562.

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, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificate of Obligation					
Bonds, Series 2008	\$ 4,580,000	\$	\$ 4,580,000	\$	\$
Bonds, Series 2022		3,860,000	550,000	3,310,000	485,000
Leases	249,911		74,015	175,896	55,967
Unamortized Premiums		171,280	24,469	146,811	
Unamortized Discounts	(46,423)		(46,423)		
Totals:	<u>\$ 4,783,488</u>	<u>\$ 4,031,280</u>	<u>\$ 5,182,061</u>	<u>\$ 3,632,707</u>	<u>\$ 540,967</u>

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Total Debt service requirements on Long-Term Debt at September 30, 2023, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2024	\$ 485,000	\$ 153,375	\$ 638,375
2025	515,000	128,375	643,375
2026	535,000	102,125	637,125
2027	570,000	74,500	644,500
2028	595,000	45,375	640,375
2029	610,000	15,250	625,250
Plus: Unamortized Premiums	146,811		146,811
Totals	<u>\$ 3,456,811</u>	<u>\$ 519,000</u>	<u>\$ 3,975,811</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	\$
12/14/2022	3,860,000	5.00%	2/1/2029	3,310,000

Advance Refunding

On December 14, 2022, the County issued \$3,860,000 of General Obligation Refunding Bonds to provide resources to purchase U.S Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$4,580,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$146,672. This amount is being netted against the new debt and amortized over the remaining life of the new debt. This advance refunding was undertaken to reduce total debt payments and will result in a savings of \$261,368.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Leases:

The assets acquired through leases are as follows:

Lease Assets	Governmental Activities
Machinery and Equipment	\$ 1,386,661
Less: Accumulated Depreciation	(1,163,939)
Totals	<u>\$ 222,722</u>

Commitments under lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 55,967	\$ 7,182	\$ 63,149
2025	42,401	5,469	47,870
2026	15,362	4,086	19,448
2027	9,581	3,419	13,000
2028	52,585	2,892	55,477
Totals	<u>\$ 175,896</u>	<u>\$ 23,048</u>	<u>\$ 198,944</u>

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

F. INTERFUND ACTIVITY

The nature and amount of Interfund Transactions are as follows:

Fund	Transfer In	Transfer Out	Reason for Transfer
General	\$ 95,337	\$	County Jail Operations and Operating Transfers
County Jail		141,410	Local Portion of Jail Operating Costs and Bond Payments
Road and Bridge	46,073		Operating Transfers
Non-Major Funds	300	300	Operating Transfers
	<u>\$ 141,710</u>	<u>\$ 141,710</u>	

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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 over 830 non-traditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report on a calendar basis. The Annual Comprehensive Financial Report 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 ACFR 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, 2022.

Net Pension Liability	Total
Total Pension Liability	\$ 13,293,996
Less: Plan Fiduciary Net Position	(14,002,498)
Net Pension Liability (Asset)	<u>\$ (708,502)</u>
Net Position as Percentage of Total Pension Liability	105.33%

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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, 2022 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2022 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 7.67% for 2022 and 5.71% for 2023. 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	
	2022	2023
Member	7.00%	7.00%
Employer	7.67%	5.71%
FY 2023 Employer Contributions	\$	193,887
FY 2023 Member Contributions	\$	220,139

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Actuarial Assumptions:

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

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
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*	7.50%
Salary Increases*	4.70%
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 2022 experience study for TCDRS, details of which can be found in the 2022 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 7.60%. 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 7.50%. 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, 2023**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Portfolio Real Rate of Return*
U.S. Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 2.30%,
per Cliffwater's 2023 capital market assumptions

** - Target asset allocation adopted at the March 2023 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 2022 Net Pension Liability.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 14,891,660	\$ 13,293,996	\$ 11,946,015
Fiduciary Net Position	(14,002,498)	(14,002,498)	(14,002,498)
Net Pension Liability/(Asset)	\$ 889,162	\$ (708,502)	\$ (2,056,483)

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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

At December 31, 2022, the County reported an asset of \$708,502 for its proportionate share of the TCDRS net pension liability.

The net pension asset was measured as of December 31, 2022 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, 2022 through December 31, 2022.

For the plan year ended December 31, 2022 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 new investment return and inflation assumptions that affected measurement of the total pension liability during the measurement period.

At December 31, 2022, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$	\$ 47,003
Assumption Changes or Inputs	161,313	11,551
Net Difference Between Projected and Actual Earnings	260,227	
Contributions Paid to TCDRS Subsequent to the Measurement Date	137,861	
Total	\$ 559,401	\$ 58,554

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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

	Pension Expense Amount <u>Amortization of Deferred Resources</u>
2023	\$ 24,258
2024	11,679
2025	63,866
2026	401,044
2027	0
Thereafter	0

At December 31, 2022, 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, 2021 Measurement Date	\$ (1,472,259)
Contributions Made Subsequent to the Measurement Date	137,861
Contributions Made Prior to the Measurement Date	(171,259)
Experience Differences	82,468
Earnings Differences	2,005,212
Amortization of Deferred (Inflows) Outflows	<u>(81,176)</u>
Total Net Amounts as of December 31, 2022	<u>\$ 500,847</u>

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Pension Expenses

Pension expense for the plan for the year ended December 31, 2022 was \$63,701 and was calculated as follows:

	<u>Pension Expense</u>
Service Cost	\$ 357,379
Interest on Total Pension Liability	953,399
Administrative Expenses	8,206
Member Contributions	(207,430)
Expected Investment Return Net of Investment Expenses	(1,136,269)
Amortization of Deferred (Inflows) Outflows	81,176
Other	<u>7,240</u>
Total Pension Expense as of December 31, 2022	<u>\$ 63,701</u>

Employees Covered by Benefit Terms:

At the December 31, 2022 valuation and measurement, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	37
Inactive Employees Entitled to but not Yet Receiving Benefits	63
Active Employees	<u>71</u>
Total Plan Employees	<u>171</u>

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's operational contract with the Federal Bureau of Prisons was not renewed effective June 2022. This contract was materially the only source of revenue for the Facility since inception.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Capital Assets:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Component Unit				
Land	\$ 188,500	\$	\$	\$ 188,500
Correctional Facilities	38,542,406			38,542,406
Totals at Historic Cost	\$ 38,730,906	\$ 0	\$ 0	\$ 38,730,906
Less: Accumulated Depreciation				
Correctional Facilities	\$ 16,731,542	\$ 846,416	\$	\$ 17,577,958
Total Accumulated Depreciation	\$ 16,731,542	\$ 846,416	\$ 0	\$ 17,577,958
Component Unit Capital Assets, Net	\$ 21,999,364	\$ (846,416)	\$ 0	\$ 21,152,948

Long-Term Debt:

Series	Original Issue	Interest Rates	Maturity Date	Outstanding	Type of Debt
2012	\$ 4,165,000	7.75%	2/15/2029	\$ 2,550,000	Taxable Revenue Bonds
2012	35,890,000	6.75%-7.20%	10/1/2025	13,365,000	Taxable Revenue Refunding Bonds
2012	(1,929,675)			(465,952)	Unamortized Discounts
	\$ 38,125,325			\$ 15,449,048	

Debt Service Requirements:

Year Ending September 30,	Component Unit		
	Principal	Interest	Total
2024	\$ 3,275,000.00	\$ 1,041,345.00	\$ 4,316,345
2025	3,515,000.00	795,530.00	4,310,530
2026	7,355,000.00	402,725.00	7,757,725
2027	300,000.00	125,500.00	425,500
2028	325,000.00	101,331.00	426,331
2029-2031	1,145,000.00	105,980.00	1,250,980
Less: Reserve Fund		(4,158,142)	(4,158,142)
Less: Unamortized Discounts	(465,952)		(465,952)
Totals	\$ 15,449,048	\$ (1,585,731)	\$ 13,863,317

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

I. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2023 that would have a material effect on the financial statements.

J. TAX ABATEMENTS

The County has entered into three separate agreements allowed for under Texas State Law for the abatement of property taxes related to wind farm operations with the County's jurisdiction. The abatements are scheduled to expire between the years of 2027 and 2028. In fiscal year 2023, the County abatement limitation was \$95,435,275. The County recorded revenue from payments in lieu of taxes in the amount of \$198,479.

REQUIRED SUPPLEMENTARY INFORMATION

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GARZA COUNTY, TEXAS

Exhibit B-1

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
TOTAL PENSION LIABILITY:									
Service Cost	\$ 351,992	\$ 406,526	\$ 389,677	\$ 359,647	\$ 341,986	\$ 343,821	\$ 351,012	\$ 365,767	\$ 357,379
Interest Cost	645,370	688,233	730,289	777,834	826,485	830,775	885,011	928,224	953,399
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)	(300,968)	82,468
Effect of Assumption Changes or Inputs		104,863		57,305			645,258	(34,651)	
Benefit Payments/Refunds of Contributions	(472,120)	(469,682)	(509,018)	(546,906)	(497,117)	(475,622)	(479,425)	(672,564)	(562,889)
Net Change in Total Pension Liability	\$ 476,324	\$ 571,671	\$ 436,956	\$ 593,877	\$ 40,590	\$ 664,257	\$ 1,367,731	\$ 285,808	\$ 830,357
Total Pension Liability, Beginning	8,026,425	8,502,749	9,074,420	9,511,376	10,105,253	10,145,843	10,810,100	12,177,831	12,463,639
Total Pension Liability, Ending	\$ 8,502,749	\$ 9,074,420	\$ 9,511,376	\$ 10,105,253	\$ 10,145,843	\$ 10,810,100	\$ 12,177,831	\$ 12,463,639	\$ 13,293,996
FIDUCIARY NET POSITION:									
Employer Contributions	\$ 255,203	\$ 239,873	\$ 229,129	\$ 207,072	\$ 209,442	\$ 214,204	\$ 180,883	\$ 150,449	\$ 214,839
Member Contributions	210,167	209,942	209,659	203,869	206,202	209,126	210,180	206,904	207,430
Investment Income, Net of Expenses	543,248	644	631,428	1,320,510	(191,634)	1,634,877	1,190,811	2,735,862	(868,943)
Benefit Payments/Refunds of Contributions	(472,120)	(469,682)	(509,018)	(546,906)	(497,117)	(475,622)	(479,425)	(672,564)	(562,889)
Administrative Expenses	(6,355)	(6,123)	(6,859)	(6,808)	(7,996)	(8,785)	(9,235)	(8,130)	(8,206)
Other	(44,387)	62,804	(25,622)	(1,886)	(1,400)	(186)	(1,472)	(5,455)	(7,240)
Net Change in Fiduciary Net Position	\$ 485,756	\$ 37,458	\$ 528,717	\$ 1,175,851	\$ (282,503)	\$ 1,573,614	\$ 1,091,742	\$ 2,407,066	\$ (1,025,009)
Fiduciary Net Position, Beginning	8,009,806	8,495,562	8,533,020	9,061,737	10,237,588	9,955,085	11,528,699	12,620,441	15,027,507
Fiduciary Net Position, Ending	\$ 8,495,562	\$ 8,533,020	\$ 9,061,737	\$ 10,237,588	\$ 9,955,085	\$ 11,528,699	\$ 12,620,441	\$ 15,027,507	\$ 14,002,498
NET PENSION LIABILITY (ASSET):	\$ 7,187	\$ 541,400	\$ 449,639	\$ (132,335)	\$ 190,758	\$ (718,599)	\$ (442,610)	\$ (2,563,868)	\$ (708,502)
Fiduciary Net Position as a % of Total Pension Liability (Asset)	99.92%	94.03%	95.27%	101.31%	98.12%	106.65%	103.63%	120.57%	105.33%
County's Covered Employee Payroll	\$ 3,002,392	\$ 2,987,265	\$ 2,995,132	\$ 2,912,408	\$ 2,945,736	\$ 2,987,509	\$ 3,002,573	\$ 2,955,773	\$ 2,963,285
Net Pension Liability (Asset) as a % of Covered Employee Payroll	0.24%	18.12%	15.01%	-4.54%	6.48%	-24.05%	-14.74%	-86.74%	-23.91%

Note: Only nine 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, 2023**

<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%
2022	208,539	208,539	0	2,914,221	7.16%
2023	193,887	193,887	0	3,144,831	6.17%

Note: Only nine 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."

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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, 2023**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 3,359,023	\$ 3,359,023	\$ 3,375,109	\$ 16,086
Payments in Lieu of Taxes	182,084	182,084	181,079	(1,005)
License and Permits	1,050	1,050		(1,050)
Intergovernmental Revenue and Grants	1,458,702	1,458,702	1,447,836	(10,866)
Charges for Services	11,625	11,625	11,754	129
Fines and Fees	155,495	155,495	261,845	106,350
Investment Earnings	13,234	13,234	121,736	108,502
Rents and Royalties	1,640,750	1,640,750	887,273	(753,477)
Other Revenue	149,290	152,098	128,502	(23,596)
Total Revenues	\$ 6,971,253	\$ 6,974,061	\$ 6,415,134	\$ (558,927)
Expenditures:				
Current:				
County Judge	\$ 153,782	\$ 153,782	\$ 149,356	\$ 4,426
Emergency Management Office	90,482	90,482	78,260	12,222
County Clerk	201,581	201,581	204,626	(3,045)
Joint Elections	73,427	73,427	55,492	17,935
General Administration	1,553,453	1,553,453	550,438	1,003,015
District Court	175,624	175,624	185,428	(9,804)
Justices of the Peace	264,443	264,443	258,981	5,462
County Attorney	155,663	155,663	151,151	4,512
County Treasurer	190,544	190,544	189,063	1,481
County Tax Assessor/Collector	179,000	179,000	173,696	5,304
Courthouse Maintenance	286,709	286,709	467,033	(180,324)
Constables	261,094	261,094	123,744	137,350
Fire Station	24,400	24,400	19,351	5,049
Law Enforcement	1,167,548	1,167,548	1,061,171	106,377
Weighstation	4,600	4,600	3,697	903
Probations	173,219	173,219	160,175	13,044
Social Services	501,961	501,961	560,460	(58,499)
Museum	64,732	64,732	68,345	(3,613)
Extension Services	67,289	67,289	57,668	9,621
Prison	64,135	64,135	70,369	(6,234)
Other Expenditures	56,640	59,448	49,628	9,820
Debt Service:				
Principal			594,553	(594,553)
Bond Issuance Costs			69,637	(69,637)
Interest			111,196	(111,196)
Total Expenditures	\$ 5,710,326	\$ 5,713,134	\$ 5,413,518	\$ 299,616
Excess of Revenues Over Expenditures	\$ 1,260,927	\$ 1,260,927	\$ 1,001,616	\$ (259,311)
Other Financing Uses:				
Proceeds from the Sale of Assets	\$	\$	\$ 2,097	\$ 2,097
Transfers In/Out	(1,260,927)	(1,260,927)	95,337	1,356,264
Payments to Refunding Bond Escrow Agent			(4,680,248)	(4,680,248)
Debt Proceeds			4,031,280	4,031,280
Total Other Financing Uses	\$ (1,260,927)	\$ (1,260,927)	\$ (551,534)	\$ 709,393
Net Changes in Fund Balance	\$ 0	\$ 0	\$ 450,082	\$ 450,082
Fund Balances - Beginning	1,109,597	1,109,597	1,109,597	
Fund Balances - Ending	\$ 1,109,597	\$ 1,109,597	\$ 1,559,679	

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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, 2023**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Intergovernmental Revenue and Grants	\$ 71,000	\$ 71,000	\$ 73,422	\$ 2,422
Investment Earnings			262	262
Rents and Royalties	787,250	787,250	1,061,390	274,140
Total Revenues	<u>\$ 858,250</u>	<u>\$ 858,250</u>	<u>\$ 1,135,074</u>	<u>\$ 276,824</u>
Expenditures:				
Current:				
County Jail	\$ 2,037,317	\$ 2,037,317	\$ 1,971,843	\$ 65,474
Total Expenditures	<u>\$ 2,037,317</u>	<u>\$ 2,037,317</u>	<u>\$ 1,971,843</u>	<u>\$ 65,474</u>
Deficiency of Revenues Under Expenditures	<u>\$ (1,179,067)</u>	<u>\$ (1,179,067)</u>	<u>\$ (836,769)</u>	<u>\$ 342,298</u>
Other Financing Sources:				
Transfers In	\$ 1,179,067	\$ 1,179,067	\$ (141,410)	\$ (1,320,477)
Total Other Financing Sources	<u>\$ 1,179,067</u>	<u>\$ 1,179,067</u>	<u>\$ (141,410)</u>	<u>\$ (1,320,477)</u>
Net Changes in Fund Balance	\$ 0	\$ 0	\$ (978,179)	<u>\$ (978,179)</u>
Fund Balances - Beginning	1,053,214	1,053,214	1,053,214	
Fund Balances - Ending	<u>\$ 1,053,214</u>	<u>\$ 1,053,214</u>	<u>\$ 75,035</u>	

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, 2023

	(Unaudited) Budgeted Amounts		Actual	Variance with Final Budget Positive or (Negative)
	Original	Final	Amounts	
Revenue:				
Taxes:				
Property Taxes	\$ 458,049	\$ 458,049	\$ 460,031	\$ 1,982
Payments in Lieu of Taxes	17,400	17,400	17,400	0
License and Permits	239,349	239,349	242,731	3,382
Intergovernmental Revenue and Grants	29,775	76,224	79,627	3,403
Charges for Services	5,000	5,000	4,365	(635)
Fines and Fees	60,000	60,000	53,563	(6,437)
Investment Earnings	2,600	2,600	46,988	44,388
Total Revenues	<u>\$ 812,173</u>	<u>\$ 858,622</u>	<u>\$ 904,705</u>	<u>\$ 46,083</u>
Expenditures:				
Current:				
Road and Bridge	\$ 926,297	\$ 972,746	\$ 848,992	\$ 123,754
Debt Service:				
Principal	29,463	29,463	29,463	0
Interest	5,203	5,203	5,203	0
Total Expenditures	<u>\$ 960,963</u>	<u>\$ 1,007,412</u>	<u>\$ 883,658</u>	<u>\$ 123,754</u>
Deficiency of Revenues Under Expenditures	<u>\$ (148,790)</u>	<u>\$ (148,790)</u>	<u>\$ 21,047</u>	<u>\$ 169,837</u>
Other Financing Sources:				
Transfers In	\$ 148,790	\$ 148,790	\$ 46,073	\$ (102,717)
Total Other Financing Sources	<u>\$ 148,790</u>	<u>\$ 148,790</u>	<u>\$ 46,073</u>	<u>\$ (102,717)</u>
Net Changes in Fund Balance	\$ 0	\$ 0	\$ 67,120	<u>\$ 67,120</u>
Fund Balances - Beginning	<u>793,649</u>	<u>793,649</u>	<u>793,649</u>	
Fund Balances - Ending	<u><u>\$ 793,649</u></u>	<u><u>\$ 793,649</u></u>	<u><u>\$ 860,769</u></u>	

GARZA COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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 new investment return and inflation assumptions 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 2022-2023 budget were approved by the Commissioners' Court as provided by law.

COMBINING STATEMENTS

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GARZA COUNTY, TEXAS

Exhibit C-1

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	Special Revenue Funds						Other Governmental Funds (See Exhibit C-3)	Total Non-Major Governmental Funds (See Exhibit A-3)
	Commercial Residential Permits	Victims Assistance	Courthouse Security	Preservation and Records Management	Justice of the Peace Technology	Garza County EMS		
ASSETS:								
Cash and Cash Equivalents	\$ 9,056	\$ 9,376	\$ 40,454	\$ 186,898	\$ 48,383	\$ 11,969	\$ 60,183	\$ 366,319
Accounts Receivable, Net of Allowance		577	957	2,884	610	54	10,901	15,983
Total Assets	<u>\$ 9,056</u>	<u>\$ 9,953</u>	<u>\$ 41,411</u>	<u>\$ 189,782</u>	<u>\$ 48,993</u>	<u>\$ 12,023</u>	<u>\$ 71,084</u>	<u>\$ 382,302</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$	\$	\$ 566	\$	\$	\$	\$ 10,659	\$ 11,225
Accrued Compensated Absences Payable						474		474
Accrued Wages						1,084		1,084
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 566</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,558</u>	<u>\$ 10,659</u>	<u>\$ 12,783</u>
FUND BALANCES:								
Permanently Restricted for:								
County Schools	\$	\$	\$	\$	\$	\$	\$ 21,123	\$ 21,123
Restricted for:								
Enabling Legislation	9,056	9,953	40,845	189,782	48,993	10,465	39,302	348,396
Total Fund Balances	<u>\$ 9,056</u>	<u>\$ 9,953</u>	<u>\$ 40,845</u>	<u>\$ 189,782</u>	<u>\$ 48,993</u>	<u>\$ 10,465</u>	<u>\$ 60,425</u>	<u>\$ 369,519</u>
Total Liabilities and Fund Balances	<u>\$ 9,056</u>	<u>\$ 9,953</u>	<u>\$ 41,411</u>	<u>\$ 189,782</u>	<u>\$ 48,993</u>	<u>\$ 12,023</u>	<u>\$ 71,084</u>	<u>\$ 382,302</u>

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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, 2023**

	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:								
Intergovernmental Revenue and Grants	\$	\$ 3,599	\$	\$	\$	\$ 46,095	\$ 154,329	\$ 204,023
Fines and Fees			9,609	30,267	5,268			45,144
Investment Earnings		379	1,681	8,138	2,152	1,338	5,942	19,630
Other Revenue							15	15
Total Revenues	\$ 0	\$ 3,978	\$ 11,290	\$ 38,405	\$ 7,420	\$ 47,433	\$ 160,286	\$ 268,812
Expenditures:								
Current:								
General Administration	\$	\$	\$ 345	\$	\$	\$	\$ 260	\$ 605
Courthouse Maintenance				5,073	163			5,236
Social Services							133,255	133,255
Emergency Medical Services						45,401		45,401
Total Expenditures	\$ 0	\$ 0	\$ 345	\$ 5,073	\$ 163	\$ 45,401	\$ 133,515	\$ 184,497
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 3,978	\$ 10,945	\$ 33,332	\$ 7,257	\$ 2,032	\$ 26,771	\$ 84,315
Other Financing Sources:								
Transfers In	\$	\$	\$	\$	\$	\$	\$	\$ 0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 0	\$ 3,978	\$ 10,945	\$ 33,332	\$ 7,257	\$ 2,032	\$ 26,771	\$ 84,315
Fund Balances - Beginning	9,056	5,975	29,900	156,450	41,736	8,433	33,654	285,204
Fund Balances - Ending	\$ 9,056	\$ 9,953	\$ 40,845	\$ 189,782	\$ 48,993	\$ 10,465	\$ 60,425	\$ 369,519

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GARZA COUNTY, TEXAS

Exhibit C-3

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	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	\$ 82	\$ 9,054	\$ 1,560	\$ 26,571	\$ 305	\$ 22,611	\$ 60,183
Accounts Receivables, Net of Allowance		41	7	10,751		102	10,901
Interfund Balances					1,590	(1,590)	
Total Assets	<u>\$ 82</u>	<u>\$ 9,095</u>	<u>\$ 1,567</u>	<u>\$ 37,322</u>	<u>\$ 1,895</u>	<u>\$ 21,123</u>	<u>\$ 71,084</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$	\$	\$	\$ 10,659	\$	\$	\$ 10,659
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,659</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,659</u>
FUND BALANCES:							
Permanently Restricted for:							
County Schools	\$	\$	\$	\$	\$	\$ 21,123	\$ 21,123
Restricted for:							
Enabling Legislation	82	9,095	1,567	26,663	1,895		39,302
Total Fund Balances	<u>\$ 82</u>	<u>\$ 9,095</u>	<u>\$ 1,567</u>	<u>\$ 26,663</u>	<u>\$ 1,895</u>	<u>\$ 21,123</u>	<u>\$ 60,425</u>
Total Liabilities and Fund Balances	<u>\$ 82</u>	<u>\$ 9,095</u>	<u>\$ 1,567</u>	<u>\$ 37,322</u>	<u>\$ 1,895</u>	<u>\$ 21,123</u>	<u>\$ 71,084</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, 2023

	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	\$	\$	\$	\$ 154,329	\$	\$	\$ 154,329
Investment Earnings		430	74	1,002	13	4,423	5,942
Other Revenue	15						15
Total Revenues	\$ 15	\$ 430	\$ 74	\$ 155,331	\$ 13	\$ 4,423	\$ 160,286
Expenditures:							
Current:							
General Administration	\$	\$	\$	\$	\$ 260	\$	\$ 260
Social Services				133,255			133,255
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 133,255	\$ 260	\$ 0	\$ 133,515
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 15	\$ 430	\$ 74	\$ 22,076	\$ (247)	\$ 4,423	\$ 26,771
Other Financing Sources (Uses):							
Transfers In/(Out)	\$	\$	\$	\$	\$ 300	\$ (300)	\$ 0
Total Other Financing Sources (Us	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300	\$ (300)	\$ 0
Net Change in Fund Balances	\$ 15	\$ 430	\$ 74	\$ 22,076	\$ 53	\$ 4,123	\$ 26,771
Fund Balances - Beginning	67	8,665	1,493	4,587	1,842	17,000	33,654
Fund Balances - Ending	\$ 82	\$ 9,095	\$ 1,567	\$ 26,663	\$ 1,895	\$ 21,123	\$ 60,425

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, 2023, and the related notes to the financial statements, which collectively comprise Garza County, Texas' basic financial statements, and have issued our report thereon dated January 16, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Report on 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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

January 16, 2024