

Atascosa County, Texas
Annual Financial Report
For the Year Ended
December 31, 2022

Atascosa County, Texas

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Management Discussion and Analysis.....	3-11

BASIC FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds.....	14
Reconciliation of Governmental Funds Balance Sheet – To the Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statements of Activities.....	17
Statement of Fiduciary Position.....	18
Statement of Changes in Fiduciary Fund Net Position.....	19
Notes to Financial Statements.....	20-41

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund – Unaudited.....	42
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System.....	43
Schedule of Pension Contributions – Texas Municipal Retirement System.....	44

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	45-46
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with Uniform Guidance.....	47-48
Schedule of Findings and Questioned Costs.....	49-50
Schedule of Status of Prior Findings.....	51
Schedule of Expenditures of State Awards	52
Notes to Schedule of Expenditures of State Awards.....	53

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

16011 University Oak
San Antonio, Texas 78249-1409
Telephone : (210) 696-6206
Facsimile : (210) 492-6209

Independent Auditor's Report

**To the Honorable County Judge and
The Commissioners Court
Atascosa County, Texas**

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Atascosa County, Texas (the "County") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Qualified Opinion on Custodial Funds

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinion on the Discretely Presented Component Unit

As indicated in the Schedule of Findings on page 50, Custodial funds' daily transactions and ending balances are not recorded in the general ledger and opening balances could not be reconciled to the previous years audited ending balances.

Emphasis of Matter – Prior Period Adjustments

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Seal & Carter, P.C.".

San Antonio, Texas
July 25, 2023

Management's Discussion and Analysis

As management of the Atascosa County, Texas, we offer readers of the Atascosa County, Texas' financial statements this narrative overview and analysis of the financial activities of the Atascosa County, Texas for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets of Atascosa County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$45,365,899 (net position). Of this amount, \$15,946,645 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$15,170,353. This decrease is attributable, in large part, to an increase in General Revenues – Maintenance and Operations Taxes of \$3,095,976, the recording of prior period adjustment of \$19,364,358 and careful budget management.
- As of the close of the current fiscal year, Atascosa County, Texas' governmental funds reported combined ending fund balances of \$12,061,208, an increase of \$6,340,627 in comparison with the prior year. Approximately 64% of this total amount, \$7,669,992, is available for spending at the government's discretion (unassigned fund balance). This increase is attributable, in large part, to a increase in General Revenues – Maintenance and Operations Taxes of \$3,095,976, and careful budget management.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,669,992 or 30 percent of total general fund expenditures and the restricted fund balance for the road and bridge fund was (\$44,336) or 1 percent of total road and bridge fund expenditures.
- Atascosa County, Texas' total liabilities decreased by \$10,149,202 (38 percent) during the current fiscal year. The key factor in this decrease was the decrease in GASB 68 payable of \$8,576,889.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Atascosa County, Texas' basic financial statements. Atascosa County, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Atascosa County, Texas' finances, in a manner like a private-sector business.

The statement of net position presents information on all of Atascosa County, Texas' assets, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Atascosa County, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused comp. leave).

The government-wide financial statements distinguish functions of Atascosa County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Atascosa County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation. The business-type activities of Atascosa County, Texas include an insurance fund.

The government-wide financial statements include only Atascosa County, Texas itself (known as the primary government),

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Atascosa County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Atascosa County, Texas maintains eighty four (84) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the road and bridge fund, both of which are major funds. Data from the other eighty two (82) governmental funds are combined into a single, aggregated presentation.

Atascosa County, Texas adopts an annual appropriated budget for its general fund and road and bridge fund. A budgetary comparison statement has been provided for the general fund and the road and bridge fund.

The basic governmental fund financial statements can be found on pages 15-18 of this report. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Atascosa County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 42-44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Atascosa County, Texas, assets exceeded liabilities by \$45,365,899 at the close of the most recent fiscal year.

By far the largest portion of Atascosa County, Texas' net position (55 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that are still outstanding. Atascosa County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Atascosa County, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ATASCOSA COUNTY, TEXAS NET POSITION

	Governmental Activities		Total	
	2022	2021	2022	2021
Current and Other Assets	\$ 47,521,936	\$ 40,472,068	\$ 47,521,936	\$ 40,472,068
Capital Assets:	45,903,009	52,188,452	45,903,009	52,188,452
Total Assets	93,424,945	92,660,520	93,424,945	92,660,520
Total Deferred Inflows of Resources	3,482,441	5,213,617	3,482,441	5,213,617
Long-Term Liabilities	13,954,528	24,181,584	13,954,528	24,181,584
Other Liabilities	2,754,093	2,676,239	2,754,093	2,676,239
Total Liabilities	16,708,621	26,857,823	16,708,621	26,857,823
Total Deferred Inflows of Resources	34,832,866	10,480,062	34,832,866	10,480,062
Invested in Capital Assets, Net of Related Debt	25,028,038	30,683,949	25,028,038	30,683,949
Restricted	4,391,216	4,352,577	4,391,216	4,352,577
Unrestricted	15,946,645	25,499,726	15,946,645	25,499,726
Total Net Position	\$ 45,365,899	\$ 60,536,252	\$ 45,365,899	\$ 60,536,252

An additional portion of Atascosa County, Texas' net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,946,645) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, Atascosa County, Texas reported a positive balance in all three parts of the governmental activities net position. For the prior fiscal year, Atascosa County, Texas reported a positive balance in all three parts of the governmental activities net position.

Governmental activities:

**ATASCOSA COUNTY, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2022	2021	2022	2021
Revenues:				
Program Revenues:				
Charges for Services	\$ 4,603,766	\$ 9,236,851	\$ 4,603,766	\$ 9,236,851
Operating Grants and Contributions	11,448,108	6,811,339	11,448,108	6,811,339
Capital Grants and Contributions	-	1,596,684	-	1,596,684
General Revenues:				
Maintenance and Operations Taxes	30,671,845	27,575,869	30,671,845	27,575,869
Sales Taxes	6,486,052	4,990,876	6,486,052	4,990,876
Other Taxes	750,421	87,136	750,421	87,136
Oil Royalties	-	186,114	-	186,114
Unrestricted Investment Earnings	-	95,615	-	95,615
Miscellaneous	1,005,974	1,261,533	1,005,974	1,261,533
Total Revenue	54,966,166	51,842,017	54,966,166	51,842,017
Expenses:				
General Administration	4,736,894	11,273,277	4,736,894	11,273,277
Legal	993,624	924,796	993,624	924,796
Judicial	5,520,401	6,601,079	5,520,401	6,601,079
Financial Administration	1,615,673	1,664,094	1,615,673	1,664,094
Public Facilities	2,990,698	2,932,893	2,990,698	2,932,893
Public Safety	20,404,909	16,599,647	20,404,909	16,599,647
Public Works	12,569,543	14,529,718	12,569,543	14,529,718
Culture and Recreation	43,190	42,162	43,190	42,162
Health and Welfare	1,209,329	1,201,633	1,209,329	1,201,633
Conservation - Agriculture	87,778	213,973	87,778	213,973
Interest and Fiscal Charges	600,122	647,219	600,122	647,219
Total Expenses	50,772,161	56,630,491	50,772,161	56,630,491
Increase in Net Position Before Transfers and Special Terms	4,194,005	(4,788,474)	4,194,005	(4,788,474)
Transfers	-	-	-	-
Increase in Net Position	4,194,005	(4,788,474)	4,194,005	(4,788,474)
Net Position at 12/31/2021	60,536,252	65,324,726	60,536,252	65,324,726
Prior Period Adjustment	(19,364,358)	-	(19,364,358)	-
Net Position at 12/31/2022	\$ 45,365,899	\$ 60,536,252	\$ 45,365,899	\$ 60,536,252

The government's total net position increased by \$4,194,005 during the current fiscal year. This increase is attributable, in large part, to an increase in General Revenues – Maintenance and Operations Taxes of \$3,095,976, and careful budget management.

Expenses and Program Revenues – Governmental Activities

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Government Activities:					
General Administration	\$ 4,736,894	\$ 2,743,659	\$ 2,633,065	\$ -	
Legal	993,624	-	-	-	
Judicial	5,520,401	232,513	2,175,141	-	
Financial Administration	1,615,673	418,524	-	-	
Public Facilities	2,990,698	-	-	-	
Public Safety	20,404,909	837,049	5,838,535	-	
Public Works	12,569,543	325,519	343,443	-	
Culture and Recreation	43,190	-	-	-	
Health and Welfare	1,209,329	46,502	457,924	-	
Conservation - Agriculture	87,778	-	-	-	
Interest and Fiscal Charges	600,122	-	-	-	
Total Governmental Activities	\$ 50,772,161	\$ 4,603,766	\$ 11,448,108	\$ -	

Revenues by Source - Governmental Activities

	Revenues	%
Charges for Services	\$ 4,603,766	8%
Operating Grants and Contributions	11,448,108	21%
Maintenance and Operations Taxes	30,671,845	56%
Sales Taxes	6,486,052	12%
Other Taxes	750,421	1%
Oil Royalties	-	0%
Unrestricted Investment Earnings	-	0%
Miscellaneous	1,005,974	2%
	<u>\$ 54,966,166</u>	<u>100%</u>

For the most part, except as provided above, increases, or decreases in expenses closely paralleled inflation, growth in population, the recession, or demand for services.

Business-Type Activities

There were no business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, Atascosa County, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of Atascosa County, Texas' governmental funds is to provide information on near- term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Atascosa County, Texas' financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Atascosa County, Texas' governmental funds reported combined ending fund balances of \$12,061,208, an increase of \$6,340,627 in comparison with the prior year. Approximately 64% of this total amount, \$7,669,992, is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is non- spendable, restricted, or committed.

The general fund is the chief operating fund of Atascosa County, Texas. At the end of the current fiscal year, unassigned fund balance and the total fund balance of the general fund was \$7,669,992. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of Atascosa County, Texas' general fund increased by \$6,206,274 during the current fiscal year.

At the end of the current fiscal year, restricted fund balance and total fund balance of the road and bridge fund was (\$44,336). As a measure of the road and bridge fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 1 percent of total road and bridge fund expenditures, while total fund balance represents 1 percent of that same amount.

The fund balance of Atascosa County, Texas' road and bridge fund decreased by \$1,031,145 during the current fiscal year.

Budgetary Highlights

When comparing the annual budgets for fiscal year 2021 and 2022, our revenues increased by \$4,615,942 and our expenses increased by \$2,734,078 leaving a surplus of \$1,881,864. Looking forward to fiscal year 2023, revenues continue to exceed expenditures by approximately \$2,000,000.

Capital Asset and Debt Administration

Capital assets:

Atascosa County, Texas' investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$45,903,009 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total decrease in Atascosa County, Texas' investment in capital assets for the current fiscal year was \$6,285,443 or 14 percent.

ATASCOSA COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Total	
	2022	2021	2022	2021
Land	\$ 1,258,601	\$ 1,258,601	\$ 1,258,601	\$ 1,258,601
Buildings	21,070,877	21,709,877	21,070,877	21,709,877
Building Improvements	13,737,272	14,640,796	13,737,272	14,640,796
Machinery and Equipment	9,225,336	9,570,271	9,225,336	9,570,271
Infrastructure	610,923	5,008,907	610,923	5,008,907
Total	\$ 45,903,009	\$ 52,188,452	\$ 45,903,009	\$ 52,188,452

Additional information on Atascosa County, Texas' capital assets can be found in note III C on the notes to financial statements.

Long-term debt:

At the end of the current fiscal year, Atascosa County, Texas had the following bonded debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities						
General Obligation Bonds	\$21,075,000		\$1,310,000	\$19,765,000	\$1,355,000	\$18,410,000
Grand Total	21,075,000	0	1,310,000	19,765,000	1,355,000	18,410,000

Atascosa County, Texas' total bonded debt decreased by \$1,310,000 (7 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds of \$1,310,000.

Additional information on Atascosa County, Texas' long-term debt can be found in note III E. on the notes to the financial statements.

Economic Factors

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the County. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Contacting The County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with an overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, 1 Courthouse Circle, Jourdanton, Texas 78026.

ATASCOSA COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 18,654,714
Investments - Current	4,381,435
Taxes Receivable, Net	20,363,419
Accounts Receivable, Net	3,721,394
Inventories	36,462
Prepaid Items	364,512
Capital Assets:	
Land Purchase and Improvements	1,258,601
Infrastructure, Net	610,923
Buildings, Net	21,070,877
Improvements other than Buildings, Net	13,737,272
Furniture and Equipment, Net	9,225,336
Total Assets	<u>93,424,945</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	3,482,441
Total Deferred Outflows of Resources	<u>3,482,441</u>
LIABILITIES	
Accounts Payable	714,901
Wages and Salaries Payable	1,706,379
Compensated Absences Payable	134,481
Accrued Interest Payable	198,332
Bonds Payable - Current	1,355,000
Noncurrent Liabilities:	
Due Within One Year	143,147
Due in More Than One Year:	
Bonds Payable - Noncurrent	19,178,492
Net Pension Liability (Asset)	(6,722,111)
Total Liabilities	<u>16,708,621</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	26,553,252
Deferred Inflow Related to Pension Plan	8,279,614
Total Deferred Inflows of Resources	<u>34,832,866</u>
NET POSITION	
Net Investment in Capital Assets & Lease Assets	25,028,038
Restricted for Other Purposes	4,391,216
Unrestricted	15,946,645
Total Net Position	<u>\$ 45,365,899</u>

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 4,736,894	\$ 2,743,659	\$ 2,633,065	\$ 639,830
Legislative	993,624	-	-	(993,624)
Judicial	5,520,401	232,513	2,175,141	(3,112,747)
Financial Administration	1,615,673	418,524	-	(1,197,149)
Public Facilities	2,990,698	-	-	(2,990,698)
Public Safety	20,404,909	837,049	5,838,535	(13,729,325)
Public Works	12,569,543	325,519	343,443	(11,900,581)
Health and Welfare	1,209,329	46,502	457,924	(704,903)
Other (Define)	87,778	-	-	(87,778)
Culture and Recreation	43,190	-	-	(43,190)
Debt Service	800	-	-	(800)
Interest on Debt	599,322	-	-	(599,322)
TOTAL PRIMARY GOVERNMENT	\$ 50,772,161	\$ 4,603,766	\$ 11,448,108	(34,720,287)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	30,671,845
General Sales and Use Taxes	6,486,052
Other Taxes	750,421
Miscellaneous Revenue	683,436
Investment Earnings	322,538
Total General Revenues	38,914,292

Change in Net Position

Net Position - Beginning	60,536,252
Prior Period Adjustment	(19,364,358)
Net Position - Ending	\$ 45,365,899

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Road and Bridge Funds	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 11,501,135	\$ 1,554,854	\$ 5,598,725	\$ 18,654,714
Investments - Current	4,381,435	-	-	4,381,435
Taxes Receivable	17,046,942	3,341,528	867,661	21,256,131
Allowance for Uncollectible Taxes (credit)	(759,827)	(92,357)	(40,528)	(892,712)
Accounts Receivable, Net	811,166	9,177	229,462	1,049,805
Inventories	-	36,462	-	36,462
Prepaid Items	349,717	12,346	2,449	364,512
Total Assets	<u>\$ 33,330,568</u>	<u>\$ 4,862,010</u>	<u>\$ 6,657,769</u>	<u>\$ 44,850,347</u>
LIABILITIES				
Accounts Payable	\$ 493,717	\$ 43,659	\$ 177,525	\$ 714,901
Wages and Salaries Payable	1,044,186	186,988	475,205	1,706,379
Unearned Revenues	-	-	106,118	106,118
Total Liabilities	<u>1,537,903</u>	<u>230,647</u>	<u>758,848</u>	<u>2,527,398</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	24,122,673	4,675,699	1,463,369	30,261,741
Total Deferred Inflows of Resources	<u>24,122,673</u>	<u>4,675,699</u>	<u>1,463,369</u>	<u>30,261,741</u>
FUND BALANCES				
Other Assigned Fund Balance	-	(44,336)	4,435,552	4,391,216
Unassigned Fund Balance	7,669,992	-	-	7,669,992
Total Fund Balances	<u>7,669,992</u>	<u>(44,336)</u>	<u>4,435,552</u>	<u>12,061,208</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 33,330,568</u>	<u>\$ 4,862,010</u>	<u>\$ 6,657,769</u>	<u>\$ 44,850,347</u>

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

Total Fund Balances - Governmental Funds	\$ 12,061,208
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	30,751,629
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.	3,026,152
Per the implementation of GASB 68 for the TMRS Pension plan, this fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension asset of \$6,722,111, Deferred Resource Outflow of \$3,482,441 and a Deferred Resource Inflow of \$8,279,614. The net effect of these was to increase the ending net position by \$836,625.	836,625
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(7,795,911)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	6,486,196
Net Position of Governmental Activities	\$ 45,365,899

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Road and Bridge Funds	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 21,734,820	\$ 4,349,405	\$ 1,760,982	\$ 27,845,207
General Sales and Use Taxes	6,486,052	-	-	6,486,052
Other Taxes	277,647	472,774	-	750,421
Licenses and Permits	-	16,320	-	16,320
Intergovernmental Revenue and Grants	7,603,886	1,185,562	2,658,660	11,448,108
Charges for Services	1,281,647	1,047	2,518,792	3,801,486
Fines	330,899	108,248	172,391	611,538
Investment Earnings	212,355	39,669	70,514	322,538
Rents and Royalties	220,926	-	-	220,926
Other Revenue	310,436	10,067	426,596	747,099
Total Revenues	38,458,668	6,183,092	7,607,935	52,249,695
EXPENDITURES:				
Current				
General Government	4,506,234	-	303,014	4,809,248
Legislative	1,014,582	-	-	1,014,582
Judicial	3,693,358	-	2,131,239	5,824,597
Financial Administration	1,708,261	-	-	1,708,261
Public Facilities	1,604,524	-	-	1,604,524
Public Safety	13,129,100	-	7,983,527	21,112,627
Public Works	-	8,529,530	-	8,529,530
Health and Welfare	-	-	1,224,398	1,224,398
Conservation	-	-	87,778	87,778
Culture and Recreation	42,432	-	758	43,190
Debt Service:				
Debt Service	-	-	800	800
Principal on Debt	-	-	1,310,000	1,310,000
Interest on Debt	-	-	653,585	653,585
Total Expenditures	25,698,491	8,529,530	13,695,099	47,923,120
Excess (Deficiency) of Revenues Over Expenditures	12,760,177	(2,346,438)	(6,087,164)	4,326,575
OTHER FINANCING SOURCES (USES):				
Transfers In	500,000	7,065,303	6,229,112	13,794,415
Transfers Out	(8,084,355)	(5,750,010)	-	(13,834,365)
Total Other Financing Sources (Uses)	(7,584,355)	1,315,293	6,229,112	(39,950)
Net Change in Fund Balances	5,175,822	(1,031,145)	141,948	4,286,625
Fund Balance - JANUARY 1 (Beginning)	1,463,718	986,809	3,270,054	5,720,581
Prior Period Adjustment	1,030,452	-	1,023,550	2,054,002
Fund Balance - DECEMBER 31 (Ending)	\$ 7,669,992	\$ (44,336)	\$ 4,435,552	\$ 12,061,208

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 4,286,625
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase (decrease) the change in net position.	3,026,152
The entries required by GASB 68 resulted in adjustments to the Statement of Net Position and the Statement of Activities. For Fiscal Year 2022, the total impact to the change in net position for GASB 68 was an increase of \$1,960,668.	1,960,668
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(7,795,911)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.	2,716,471
Change in Net Position of Governmental Activities	\$ 4,194,005

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Private Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 50,484	\$ 8,207,366
Accounts Receivable, Net	-	32,674
Total Assets	<u>50,484</u>	<u>8,240,040</u>
LIABILITIES		
Accounts Payable	764	108,576
Due to Others	-	7,754,630
Total Liabilities	<u>764</u>	<u>7,863,206</u>
NET POSITION		
Restricted for Other Purposes	49,720	376,834
Total Net Position	<u><u>\$ 49,720</u></u>	<u><u>\$ 376,834</u></u>

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Private Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Charges for Services	\$ -	\$ 2,839,802
Investment Earnings	723	1,521
Other Revenue	-	39,950
Total Additions	<u>723</u>	<u>2,881,273</u>
DEDUCTIONS:		
Other Operating Costs	5,404	2,868,069
Supplies	486	-
Total Deductions	<u>5,890</u>	<u>2,868,069</u>
Net Change in Fiduciary Net Position	(5,167)	13,204
Total Net Position - JANUARY 1 (Beginning)	54,887	246,917
Prior Period Adjustment	-	116,713
Total Net Position - DECEMBER 31 (Ending)	<u>\$ 49,720</u>	<u>\$ 376,834</u>

The notes to the financial statements are an integral part of this statement.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

I. Summary of Significant Accounting Policies

A. Reporting entity

Atascosa County operates under a County Judge – Commissioners’ Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), environmental protections (sanitation), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Atascosa County, Texas, (the County) conform to generally accepted accounting principles.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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.

B. Government-Wide and Fund Financial Statements

The County’s government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the County accompanied by a total column. Fiduciary activities of the County are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The County has presented all major funds that met those qualifications.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The road and bridge fund accounts for the activities of the government's road and bridge operations.

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the insurance fund are charges to employees for their health insurance. Operating expenses for enterprise funds include the cost of insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds: The insurance fund accounts for the monies used for the County's insurance program.

Fiduciary Funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The County's fiduciary funds include the following: The county officer accounts, the unemployment insurance fund, and the court costs fund are used to account for the fines and fees collected and remitted by the County officers in the course of their operations. The Historical Society fund is used to administer monies for the benefit of Atascosa County history maintenance. The permanent school fund is used to administer monies for construction.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value. For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at December 31, 2022 and 10 percent of the delinquent outstanding property taxes at December 31, 2022.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Compensated Absences, Comp. Time, and Sick Pay

It is the government's policy to permit employees to accumulate earned but unused vacation, comp. time, and sick pay benefits.

There is not a liability for sick pay benefits or vacation since the government does not have a policy to pay these amounts when employees separate from service with the government.

All comp. time is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in government-wide financial statements.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. Restricted Assets

The County had no restricted assets at December 31, 2022.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 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 are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There were several equipment purchases and construction during the year.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

In addition to liabilities, the statement of financial position 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. We have included advanced tax collections and deferred property taxes as deferred inflows in the fund financial statements. We have also included items that qualify for reporting under GASB 68.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. We have included advanced tax collections and deferred property taxes as deferred inflows in the fund financial statements.

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. Fund Balances – Governmental Funds

As of December 31, 2022, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of Commissioners' Court. Commissioners' Court is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Commissioners' Court.

Unassigned — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioners' Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioners' Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 to 35 percent of the subsequent year's budgeted General Fund expenditures.

12. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioners' Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioners' Court. The final amended budget is used in this report. The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year. The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioners' Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioners' Court. The Commissioners' Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioners' Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

II. Stewardship, Compliance, and Accountability

When the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioners' Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund. Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2022 fiscal year were adopted for the General Fund and the Road and Bridge Funds.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2022, expenditures did not exceed appropriations in the general fund or the road and bridge fund.

C. Deficit Fund Equity

The County had no deficit fund balances as of December 31, 2022, except for the following: Road and Bridge \$44,336. This deficit is expected to be liquidated by future resources of the respective funds.

III. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

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.

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

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

III. Detailed Notes on All Funds

Deposits:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has an investment policy for custodial credit risk. As of December 31, 2022, the government's bank balance of \$2,488,885 was not exposed to custodial credit risk; The FDIC insures the first \$250,000 of checking accounts for each bank. The market value of the securities pledged at December 31, 2022 is \$18,170,041. The collateral is securities held by the pledging financial institution's trust department or agent, in the government's name. The book balance of the deposits was \$19,151,548.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high-quality portfolio of debt securities investments that are legally permissible for local governments in the state. All funds participate in a pooling of cash and investment income in order to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand. The County's investments are authorized by County resolutions, bond ordinances, and State statutes. The County is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs).

As of December 31, 2022, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$4,381,435	Less than 1 year	Less than 1 year

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The County's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments were rated as follows: TexPool Funds AAAM.

Concentration of Credit Risk. The County places no limit on the amount that may be invested in any one issuer. The County's portfolio is 100 invested in an external investment pool.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

B. Receivables

Receivables as of year-end for the government's individual major funds and non- major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Road and Bridge	Other Governmental Funds	Total
<u>Receivables</u>				
Taxes	17,046,942	3,341,528	867,661	21,256,131
Fees and Fines	2,671,589	-	-	2,671,589
Accounts	811,166	9,177	229,462	1,049,805
Gross Receivables	20,529,697	3,350,705	1,097,123	24,977,525
Less: Allowance for Uncollectibles	759,827	92,357	40,528	892,712
Net Total Receivables	19,769,870	3,258,348	1,056,595	24,084,813

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,258,601	-	-	\$ 1,258,601
Construction in Progress	-	-	-	-
Total capital assets not being depreciated:	1,258,601	-	-	1,258,601
Capital assets being depreciated:				
Buildings	29,038,621	51,866	-	29,090,487
Buildings Improvements	21,450,107	76,887	-	21,526,994
Machinery, Equipment and Vehicles	20,479,489	1,562,480	(1,207,923)	20,834,046
Infrastructure	352,012,982	-	-	352,012,982
Total Depreciable Assets	422,981,199	1,691,233	(1,207,923)	423,464,509
Less: Accumulated depreciation for:				
Buildings	(7,328,744)	(690,866)	-	(8,019,610)
Buildings Improvements	(6,809,311)	(980,411)	-	(7,789,722)
Machinery, Equipment and Vehicles	(10,909,218)	(1,726,650)	1,027,158	(11,608,710)
Infrastructure	(347,004,075)	(4,397,984)	-	(351,402,059)
Total Accumulated Depreciation	(372,051,348)	(7,795,911)	1,027,158	(378,820,101)
Total Capital Assets Depreciated, Net	50,929,851	(6,104,678)	(180,765)	44,644,408
Governmental Activities capital assets, Net	\$ 52,188,452	\$ (6,104,678)	\$ (180,765)	\$ 45,903,009

Depreciation charged to the functions is as follows:

Governmental Activities	
General Administration	\$ 22,421
Legal	52,437
Judicial	146,517
Financial Administration	33,854
Public Facilities	1,436,613
Public Safety	1,677,483
Public Transportation	4,424,842
Health and Welfare	1,743
Total Depreciation Expense - Governmental Activities	<u>\$ 7,795,911</u>

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

D. Interfund Receivables, Payables, and Transfers

There were no advances at December 31, 2022.

There were no due to/from other funds at December 31, 2022. Transfers for the year ended December 31, 2022, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 500,000	\$ (8,044,405)
Road and Bridge	7,065,303	(5,750,010)
Other nonmajor funds	6,229,112	-
	<u>\$ 13,794,415</u>	<u>\$ (13,794,415)</u>

The above transfers are recurring. All the above transfers are for operating capital purposes.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

E. Long-Term Debt Bonds

The County issued Tax Notes, Series 2016 in the amount of \$9,725,000. The proceeds from these notes were used to pay for future projects of the County. The balance at December 31, 2022 is \$8,020,000.

The County issued Tax Notes, Series 2017 in the amount of \$9,540,000. The proceeds from these notes were used to pay for future projects of the County. The balance at December 31, 2022 is \$8,255,000.

The County issued Tax Notes, Series 2020 in the amount of \$4,870,000. The proceeds from these notes were used to pay for future projects of the County. The balance at December 31, 2022 is \$3,490,000.

The bonds are direct obligations and pledge the full faith and credit of the government.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Tax Notes - Series 2016	2.50% to 2.75%	8,020,000
Tax Notes - Series 2017	3.00% to 4.00%	8,255,000
Tax Notes - Series 2019	3.00% to 4.00%	3,490,000

The following is a summary of debt service requirements to maturity.

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2023	1,355,000	606,435
2024	1,105,000	561,610
2025	1,145,000	521,135
2026	1,185,000	479,185
2027	1,225,000	135,760
2028-2032	6,745,000	1,554,175
2033-2037	6,360,000	556,133
2038	645,000	9,675
Totals	19,765,000	4,424,108

Capital Leases: The government has entered into several capital lease agreements as a lessee for financing the acquisition of machinery and equipment as set forth below. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The security pledged for the capital lease is the equipment financed.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Assets acquired through capital leases are as follows:

Asset	Spillman Law Enforcement Software	Total
Cost	744,601	744,601
Accumulated Depreciation	(446,761)	(446,761)
Net Asset	297,840	297,840

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2022, were as follows:

Year	Governmental Activities	Amount
2023	\$ 149,164	\$ 149,164
2024	149,164	149,164
Total Minimum Lease Payments	298,328	298,328
Less: Amount Representing Interest	9,056	9,056
Present Value of Net Minimum Lease Payments	\$ 289,272	\$ 289,272

The above debt is to be serviced by the General Fund and the Ambulance Fund.

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
General Obligation Bonds	21,075,000	-	(1,310,000)	19,765,000	1,355,000	18,410,000
Bond Issuance Premium	676,630	-	-	676,630	-	676,630
Capital Lease	429,503	-	(140,231)	289,272	143,147	146,125
GASB 68 Payable	1,854,780	-	(8,576,889)	(6,722,109)		(6,722,109)
Compensated Absences	145,671	134,481	(145,671)	134,481	134,481	-
Total Government Long Term Debt	24,181,584	134,481	(10,172,791)	14,143,274	1,632,628	12,510,646

The above bonds are serviced by the debt service funds established for the purpose of servicing the bonded debt. The capital leases are serviced by the general fund and the ambulance fund. The compensated absences are funded by the general and road and bridge funds.

The general and road and bridge funds are used to service the compensated absences. The estimated amount due in the 2022 year is \$134,481.

The government-wide statement of activities includes \$1,632,628 as "noncurrent liabilities, due within one year".

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

IV. Other Information

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined together with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carry commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC).

B. Subsequent Events

Management has evaluated subsequent events through July 25, 2023 the date which the financial statements were available to be issued.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

D. Other Post-Employment Benefits

The County does not participate in any Other Post Employment Benefit plan with the exception of COBRA. The County's participation in COBRA is considered to be immaterial and therefore is not included in the government-wide financial statements.

E. Prior Period Adjustments

For the fiscal year end 2022, prior period adjustments were made as follows:

- \$20,294,317 Elimination of Required Deferred Inflows of Resources. This downward revision resulted from the elimination of "Deferred Inflows of Resources" pertaining to 2022 Property Tax Receivable included within the County's December 31, 2021 government-wide Statement of Net Position. Under GASB statement No. 63, "Deferred Inflows of Resources" represent acquisition of assets that are applicable to a future reporting period. At December 31, 2021, that future reporting period would be the County's 2022 fiscal year. Although the County may have had an enforceable right to the 2022 Property Taxes at December 31, 2021, applicable governmental accounting standards (including GASB Statements Nos. 33) requires that related tax revenues not be recognized until the period for which they were levied, 2022 fiscal year. Accordingly, "Deferred Inflows of Resources" for 2022 Property Taxes serve to "defer" related revenues until fiscal 2022 and are therefore not a part of the December 31, 2021 Net Position. Consequently, the beginning Net Position reported within the accompanying December 31, 2022 government-wide Statement of Net Position was revised downward by the "Deferred Inflows of Resources" related to the 2022 Property Taxes reported within the December 31, 2021 government-wide Statement of Net Position.
- \$1,124, 043 A re-evaluation of Actuarially determined Defined Benefit Pension expenses reported by the County's independent Pension Plan Administrator, the Texas Municipal League, for use in the County's December 31, 2021 financial statements – resulted in recognizing less Pension Plan Expenses in accordance with GASB statement 68., Deferred Outflow erroneously stated in the December 31, 2021 audit report.
- \$1,030,052 Re-Classification of Self-Insurance Fund Net Assets. Reclassification of assets previously accounted for within the County's Self-Insurance Fund of its business activities. Since that fund's transactions are no longer considered "Self-Insurance" type of activities, its activities will be accounted for within the County's governmental activities and the Self-Insurance fund will no longer be used.
- \$1,023,550 Net Assets From the Juvenile and Adult Probation Fund. These net assets represent amounts not previously included within the County's governmental Activities.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

F. Tax Abatements

State law allows governments to enter into agreements for tax abatements which is anticipated to result in industry expansions and future revenues for the district. Under these agreements a company is exempt from paying a portion if not all property taxes to the district for a certain period. In return the company agrees to construct or expand new industry in the district and employ a certain number of workers.

On March 9, 2020, the County entered into an agreement pursuant to Chapter 312 of the Texas Tax Code, with Grandslam Solar, LLC. Owner anticipates constructing Improvements on the Site consisting of a photovoltaic solar powered electricity generation facility (the "Project"). The Project is anticipated to consist of solar equipment located in the Reinvestment Zone with a total Nameplate Capacity for the Project of approximately 228 megawatts (ac). The total Nameplate Capacity will vary depending on the type of solar equipment used and the size of the facility. The Project is expected to have an overall minimum investment in the County of \$200,000,000.

The terms of the agreement are as follows:

1. The Abatement shall extend for a period of ten (10) tax years beginning on the Abatement Start Date (the "Abatement Period") and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. In consideration for the Abatement, Owner agrees to create at least 2 permanent employment positions, for the purposes of operating and maintaining the improvements, by the Completion Date, and to maintain these 2 permanent employment positions throughout the remainder of the Abatement Period.
3. The Abatement amount is such percentage deemed appropriate by the Atascosa County Commissioners Court, but not to exceed 80%.

G. Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County and County Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 677 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the County within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

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

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	162
Inactive employees entitled to but not yet receiving benefits	359
Active employees	372

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Pension Plan (continued)

Funding Policy

The County has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 8.44% of covered payroll for the months of the calendar year in 2022.

The deposit rate payable by all employee members for the calendar year 2022 is 6.00% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

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

Net Pension Liability

	<u>December 31, 2021</u>
Total pension liability	\$ 61,016,265
Fiduciary net position	67,738,374
Net pension liability / (asset)	(6,722,109)
Fiduciary net position as a % of total pension liability	111.02%
Pensionable covered payroll	18,728,365
Net pension liability / (asset) as a % of covered payroll	-35.89%

The County's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.8 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.70% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Pension Plan (continued)

Mortality 135% of the Pub-2010 General Retirees Table for males and
120% of the Pub-2010 General Retirees Table for females,
Both projected with 1--% of the MP-2021 Ultimate scale after 2010

Other Key Actuarial Assumptions

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

Long- Term Expected Rate of Return

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

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

Depletion of Plan Assets/ GASB Discount Rate

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

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

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Pension Plan (continued)

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

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

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

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

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

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

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Pension Plan (continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 57,478,648	\$ 55,623,868	\$ 1,854,780
Changes for the year:			-
Service Cost	2,332,892	-	2,332,892
Interest on total pension liability	4,447,636	-	4,447,636
Effect of plan changes	-	-	-
Effect on economic/demographic gains or losses	(530,907)	-	(530,907)
Effect of assumptions changes or inputs	(83,866)	-	(83,866)
Refund of contributions	(380,087)	(380,087)	-
Benefit payments	(2,248,051)	(2,248,051)	-
Administrative expense	-	(36,647)	36,647
Member contributions	-	1,123,702	(1,123,702)
Net investment income	-	12,209,587	(12,209,587)
Employer contributions	-	1,432,717	(1,432,717)
Other	-	13,287	(13,287)
Net Changes	3,537,617	12,114,508	(8,576,891)
Balance at December 31, 2021	\$ 61,016,265	\$ 67,738,376	\$ (6,722,111)

Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.60%)		1% Increase in Discount Rate (8.60%)	
		Discount Rate (7.60%)		
Total pension liability	\$ 69,754,840	\$ 61,016,265	\$ 53,785,002	
Fiduciary net position	\$ 67,738,374	\$ 67,738,376	\$ 67,738,374	
Net pension liability / (asset)	\$ 2,016,466	\$ (6,722,111)	\$ (13,953,372)	

ATASCOSA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Pension Plan (continued)

Pension Expense/(Income)

	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$ 2,332,892
Interest on total pension liability	4,447,636
Effect of plan changes	-
Administrative expenses	36,647
Member contributions	(1,123,702)
Expected investment return net of investment expenses	(4,223,867)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(412,592)
Recognition of assumption changes or inputs	888,073
Recognition of investments gains or losses	(2,157,844)
Other	(13,287)
Pension expense / (income)	<u>\$ (226,044)</u>

Deferred Inflows / Outflows of Resources

As of December 31, 2022, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows Of Resources</u>	<u>Deferred Outflows Of Resources</u>
Differences Between Expected and Actual Experience	\$ 603,888	\$ -
Changes in Assumptions	62,899	1,747,817
Net Difference Between Projected and Actual Investment Earnings	7,612,827	-
Contributions paid to TRS subsequent to the Measurement Date	-	1,734,624
Totals	<u>\$ 8,279,614</u>	<u>\$ 3,482,441</u>

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

Year Ended	
December 31:	
2022	\$ (1,110,827)
2023	(1,850,113)
2024	(1,973,713)
2025	(1,597,144)
2026	-
Thereafter	-

ATASCOSA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 21,619,659	\$ 21,539,659	\$ 21,734,820	\$ 195,161
General Sales and Use Taxes	6,296,000	6,296,000	6,486,052	190,052
Other Taxes	5,000	5,000	277,647	272,647
Licenses and Permits	100,000	100,000	-	(100,000)
Intergovernmental Revenue and Grants	8,498,816	8,498,816	7,603,886	(894,930)
Charges for Services	1,781,200	1,861,200	1,281,647	(579,553)
Fines	491,400	491,400	330,899	(160,501)
Investment Earnings	135,000	138,000	212,355	74,355
Rents and Royalties	218,000	218,000	220,926	2,926
Other Revenue	269,300	336,800	310,436	(26,364)
Total Revenues	39,414,375	39,484,875	38,458,668	(1,026,207)
EXPENDITURES:				
Current:				
General Government	13,408,645	5,367,235	4,506,234	861,001
Legislative	969,075	1,100,967	1,014,582	86,385
Judicial	4,866,605	4,728,712	3,693,358	1,035,354
Financial Administration	1,878,673	1,878,673	1,708,261	170,412
Public Facilities	1,762,808	1,762,808	1,604,524	158,284
Public Safety	17,998,185	18,012,740	13,129,100	4,883,640
Culture and Recreation	42,500	42,500	42,432	68
Total Expenditures	40,926,491	32,893,635	25,698,491	7,195,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,512,116)	6,591,240	12,760,177	6,168,937
OTHER FINANCING SOURCES (USES):				
Transfers In	1,512,116	2,012,116	500,000	(1,512,116)
Transfers Out	-	(8,084,355)	(8,084,355)	-
Total Other Financing Sources (Uses)	1,512,116	(6,072,239)	(7,584,355)	(1,512,116)
Net Change	-	519,001	5,175,822	4,656,821
Fund Balance - JANUARY 1 (Beginning)	1,463,718	1,463,718	1,463,718	-
Prior Period Adjustment	-	-	1,030,452	1,030,452
Fund Balance - DECEMBER 31 (Ending)	\$ 1,463,718	\$ 1,982,719	\$ 7,669,992	\$ 5,687,273

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

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Total pension liability								
Service Cost	\$ 1,380,945	\$ 1,576,943	\$ 1,831,080	\$ 1,868,029	\$ 1,754,568	\$ 1,857,261	\$ 2,058,207	\$ 2,332,892
Interest on the total pension liability	2,653,162	2,883,286	3,101,142	3,429,615	3,644,000	3,846,150	4,139,709	4,447,636
Effect of plan changes	190,807	(338,868)	-	-	-	243,550	-	-
Effect of assump. changes or inputs	-	428,329	-	175,659	-	-	3,495,635	(83,866)
Effect of economic/demographic (gains) or losses	126,159	(297,489)	61,665	(548,979)	(672,163)	(114,257)	(51,146)	(560,907)
Benefit payments, refunds	(1,550,316)	(1,562,785)	(1,727,141)	(2,098,045)	(2,232,847)	(2,437,982)	(2,379,807)	(2,628,138)
Net change in total pension liability	2,800,757	2,689,416	3,266,746	2,826,279	2,493,558	3,394,722	7,262,598	3,507,617
Total pension liability - beginning	32,744,572	35,545,329	38,234,745	41,501,491	44,327,770	46,821,328	50,216,050	57,478,648
Total pension liability - ending (a)	\$ 35,545,329	\$ 38,234,745	\$ 41,501,491	\$ 44,327,770	\$ 46,821,328	\$ 50,216,050	\$ 57,478,648	\$ 60,986,265
Fiduciary net position								
Employer contributions	\$ 1,007,343	\$ 1,110,610	\$ 1,217,536	\$ 1,207,969	\$ 1,257,603	\$ 1,554,805	\$ 1,449,815	\$ 1,432,717
Member contributions	790,073	871,066	954,934	947,431	986,359	1,076,193	1,137,112	1,123,702
Investment income net of inv exp	2,183,243	(318,552)	2,600,415	5,583,334	(816,921)	7,064,748	5,192,031	12,209,587
Benefit payments, refunds	(1,550,316)	(1,562,785)	(1,727,141)	(2,098,045)	(2,232,847)	(2,437,982)	(2,379,807)	(2,628,138)
Administrative expenses	(26,021)	(25,272)	(28,310)	(29,166)	(34,555)	(38,296)	(40,701)	(36,647)
Other	109,101	57,299	76,717	494	4,736	13,609	11,109	13,287
Net change in plan fiduciary net position *	2,513,423	132,366	3,094,151	5,612,017	(835,625)	7,233,077	5,369,559	12,114,508
Fiduciary net position - beginning	32,504,899	35,018,322	35,150,688	38,244,839	43,856,856	43,021,231	50,254,308	55,623,867
Fiduciary net position - ending (b)	\$ 35,018,322	\$ 35,150,688	\$ 38,244,839	\$ 43,856,856	\$ 43,021,231	\$ 50,254,308	\$ 55,623,867	\$ 67,738,375
Net pension liability = (a) - (b)	\$ 527,007	\$ 3,084,057	\$ 3,256,652	\$ 470,914	\$ 3,800,097	\$ (38,258)	\$ 1,854,781	\$ (6,722,111)
Fiduciary net position as a percentage of the total pension liability	98.52%	91.93%	92.15%	98.94%	91.88%	100.08%	96.77%	111.02%
Pensionable covered payroll	\$ 13,167,876	\$ 14,517,768	\$ 15,915,574	\$ 15,790,509	\$ 16,439,316	\$ 17,936,542	\$ 18,951,871	\$ 18,728,365
Net pension liability as a percentage of covered payroll	4.00%	21.24%	20.46%	2.98%	23.12%	-0.21%	9.79%	-35.89%

* May be off due to rounding

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

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

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Actuarially Determined Contribution	\$ 716,113	\$ 868,747	\$ 1,003,392	\$ 1,072,863	\$ 1,120,456	\$ 1,143,233	\$ 1,229,661	\$ 1,289,637	\$ 1,355,059	\$ 1,286,639
Contributions in relation to the actuarially determined contribution	716,113	868,747	1,007,343	1,110,610	1,217,536	1,207,969	1,257,603	1,554,805	1,449,815	1,432,717
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (3,951)	\$ (37,747)	\$ (97,080)	\$ (64,736)	\$ (27,942)	\$ (265,168)	\$ (94,756)	\$ (146,078)
Covered Employee Payroll	\$ 9,891,098	\$ 11,356,161	\$ 13,167,876	\$ 14,517,768	\$ 15,915,574	\$ 15,790,509	\$ 16,439,316	\$ 17,936,542	\$ 18,951,871	\$ 18,728,365
Contributions as a Percentage of Covered Employee Payroll	7.20%	7.70%	7.70%	7.70%	7.60%	7.60%	7.60%	8.70%	7.60%	7.60%

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

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Atascosa County, Texas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which comprise the Atascosa County, Texas' basic financial statements, and have issued our report thereon dated July 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (Finding 2022-01)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Atascosa 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*.

Atascosa County's Response to Findings

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

Purpose of This Report

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

Seal & Carter, P.C.

San Antonio, Texas

July 25, 2023

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The State of Texas Single Audit Circular and Uniform Grant Management Standards

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Atascosa County, Texas' compliance with the types of compliance requirements identified as subject to audit in the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS) that could have a direct and material effect on each of the Atascosa County, Texas' major state programs for the year ended December 31, 2022. The Atascosa County, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Atascosa County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS). Our responsibilities under those standards and the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS) are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Atascosa County, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Atascosa County, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Atascosa County, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted

auditing standards, *Government Auditing Standards*, and the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS) will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Atascosa County, Texas' compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS), we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Atascosa County, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Atascosa County, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS) but not for the purpose of expressing an opinion on the effectiveness of the Atascosa County, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Audit Circular and Uniform Grant Management Standards (UGMS). Accordingly, this report is not suitable for any other purpose.

San Antonio, Texas
July 25, 2023

Seal & Carter, P.C.

ATASCOSA COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I Summary of Auditors Results

1. The auditor's report expresses a qualified opinion on whether the financial statements of the Atascosa County, Texas were prepared in accordance with GAAP.
2. One significant deficiency was identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Atascosa County, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major state award programs disclosed during the audit.
5. The auditor's report on compliance for the major state award programs for Atascosa County, Texas expresses an unmodified opinion on all major state programs.
6. The audit did not disclose audit findings that are required to be reported in accordance with the State of Texas Single Audit Circular and Uniform Grant Management Standards (UGMS).
7. The programs tested as major programs:

State Major Programs

<u>Grant Number</u>	<u>Name of State Program</u>
SG-22-820.	Regional Public Defender
CTIF-02-007	2020 TxDOT County Transportation Infrastructure Fund

8. The threshold used for distinguishing between Type A and B state programs was \$300,000.
9. Atascosa County did not qualify as a low-risk auditee.

Section II-Findings Related to Financial Statement Audit

Finding 2022-01 Custodial Fund accounting procedures

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

Finding 2021-01 Custodial Fund accounting procedures (cont.)

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

Status: Corrective action is in progress in Fiscal Year 2023.

Section III- Findings and Questioned Costs – Major State Awards Program Audit

None

ATASCOSA COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II-Financial Statement Findings

Significant Deficiencies:

Condition: District Clerk – We noted two bank accounts that have an unknown balance at the end of the year. The Registry of the Court account has an unknown balance in the amount of \$4,158.99 and the Cost Deposit Account is short \$4,096.68. – *This finding has been corrected*

Section III-Federal or State Award findings & Questioned Costs

None

ATASCOSA COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

STATE GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING NUMBER (ALN)	GRANT NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS- THROUGH TO SUB- RECIPIENTS	TOTAL STATE EXPENDI- TURES
NON-FEDERAL					
OFFICE OF THE GOVERNOR					
Passed Through					
Criminal Justice Division					
Border Prosecution	N/A		N/A	N/A	112,972.04
Total Office of the Governor					112,972.04
TEXAS SECRETARY OF STATE					
Voter Registrar Chapter 19	N/A		N/A	N/A	825.00
Total Texas Secretary of State					825.00
OFFICE OF COURT ADMINISTRATION					
Passed Through					
Texas Indigent Defense Commission					
Regional Public Defender	N/A	SG-22-820	N/A	N/A	1,149,436.91
Total Office of Court Administration					1,149,436.91
TEXAS DEPARTMENT OF TRANSPORTATION					
2020 TxDOT County Transportation Infrastructure Fund	N/A	CTIF-01-007	N/A	N/A	2,049,146.55
Total Texas Department of Transportation					2,049,146.55
TOTAL NON-FEDERAL ASSISTANCE					3,312,380.50

See Accompanying Notes to Schedule of Expenditures of State Awards

ATASCOSA COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Atascosa County, Texas under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* and Uniform Grant Management Standards (UGMS). Because the Schedule presents only a selected portion of the operations of Atascosa County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Atascosa County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *State of Texas Single Audit Circular* and Uniform Grant Management Standards (UGMS) wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

Atascosa County, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the *State of Texas Single Audit Circular* and Uniform Grant Management Standards (UGMS).