CALLAHAN COUNTY, TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30, 2022

Roberts & McGee CPA

CALLAHAN COUNTY, TEXAS

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CALLAHAN COUNTY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Members of the Commissioners Court of:
Callahan County, Texas

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Callahan County, Texas (the County) as of and for the year ended September 30, 2022, and the related notes to the financial statement, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Callahan County, Texas as of September 30, 2022, and the respective changes in modified cash basis financial position for the year then ended on the basis of accounting described in Note 1.

Basis for Opinion

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 audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 judgement made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Callahan County, Texas' basic financial statements. The management's discussion and analysis, budgetary comparison information, pension and OPEB related schedules, combining schedules, and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, budgetary comparison information, pension and OPEB related schedules, combining schedules, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Roberts + McGee, CPA

Roberts & McGee, CPA

Abilene, Texas
March 24, 2023

This section of Callahan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2022. This discussion includes comparative data for the prior year. Please read it in conjunction with the basic financial statements and related notes, which follow this discussion.

Financial Highlights

- The County's total combined net position was $13,235,252 at September 30, 2022. Of this amount, $2,856,764 is invested in capital assets net of related debt, and $674,429 is restricted for specific purposes. Unrestricted net position is $9,704,059.

- During the year, the County's expenses were $3,439,372 less than the $12,388,167 generated in taxes and other revenues for governmental activities.

- The general fund reported an unassigned fund balance this year of $2,189,223, which is an increase of $300,898 over the prior year.

Government-Wide Financial Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities on the modified cash basis of accounting.

The two government-wide statements report the County's net position and how they have changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the governmental activities. Most of the County's basic services are included here, such as general administration, judicial, public safety, transportation, facilities, and health and welfare services. Property taxes and fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- Governmental funds – Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- Fiduciary funds – The County is the fiduciary for certain custodial funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are Custodial Funds and are reported in a separate statement of fiduciary assets and liabilities – modified cash basis. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Callahan County, Texas basic financial statements. The County's basic financial statements consist of 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 ANALYSIS

As noted earlier, net position can serve over time as a useful indicator of a government's financial position. In the case of Callahan County, net position was $13,235,252 at the close of the fiscal year ended September 30, 2022.

Net investments in capital assets (e.g. road and bridge infrastructure; buildings and other improvements; furniture, machinery and equipment; and land), less related debt, represents 22% of net position. The County uses these capital assets to provide services to the citizens, and consequently these assets are not available for future spending. Another 5.1% of the County's net position is subject to external restrictions. The remaining balance, $9,704,059, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis
September 30, 2022
Callahan County's Net Position

	Governmental Activities	
	2022	2021
Assets		
Current Assets	$ 6,110,650	$ 4,978,070
Restricted Assets	16,052,592	16,395,188
Capital Assets	9,059,130	6,547,651
Total Assets	31,222,372	27,920,909
Liabilities		
Debt Due Within One Year	945,427	626,613
Debt Due in More Than One Year	17,041,693	17,498,416
Total Liabilities	17,987,120	18,125,029
Net Position		
Net Investments in Capital Assets	2,856,764	2,858,540
Restricted	674,429	557,062
Unrestricted	9,704,059	6,380,278
Total Net position	$ 13,235,252	$ 9,795,880

The County's net position increased by $3,439,372. Since the County presently engages in no business-type activities, governmental activities account for all of the changes in net position at the government-wide reporting level.

Governmental activities: Revenues for the County's governmental activities were $12,388,167, up by $1,313,926 from the prior year, while total expenses were $8,948,795, down by $929,815 compared to the prior year. The increase in net position of $3,439,372 reflects an increase of 35% for the year ended September 30, 2022.

Callahan County's Changes in Net Position

	Governmental Activities	
	2022	2021
Program Revenues		
Charges for Services	$ 1,872,413	$ 1,777,564
Operating Grants and Contributions	1,912,034	2,789,174
Capital Grants and Contributions	617,764	
General Revenues		
Property and Other Taxes	7,021,885	5,832,048
Investment Income	128,622	21,388
Gain on Sale of Equipment	149,572	415,766
Miscellaneous Income	685,877	238,301
Total Revenues	12,388,167	11,074,241
Expenses		
General Administration	2,264,176	1,996,802
Judicial	968,898	832,176
Financial Administration	495,479	468,448
Facilities Maintenance	293,810	176,509
Public Safety	1,515,966	1,367,415
Road and Bridge	2,459,929	2,397,877
Health and Welfare	263,439	429,354
Culture and Recreation	10,346	14,463
Extension Service	80,958	75,434
Interest on Long-term Debt	595,794	260,502
Total Expenses	8,948,795	8,018,980
Increase in Net Position	3,439,372	3,055,261
Net Position - Beginning of Year, restated	9,795,880	6,740,619
Net Position - End of Year	$ 13,235,252	$ 9,795,880

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, Callahan County uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The general governmental functions are reported in the General Fund. The focus of Callahan County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Callahan County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as useful measure of the County's net resources available for the spending at the end of the fiscal year.

The County's governmental funds reflect a combined fund balance of $22,163,242 as of September 30, 2022, an increase of $789,984 over the prior year. Of this amount, $12,733,878 is in the facilities improvement fund. Approximately 10% of the combined fund balances for the governmental funds constitutes unassigned fund balance, which is available to meet the County's current and future operating needs. The remainder of the fund balance is assigned or restricted for enabling legislation, capital projects or debt service.

The General Fund is the principal operating fund of the County. At the end of the current fiscal year, the County spent $6,011,362 on County services, collected revenues and other financing sources of $6,312,260, netting to a surplus of $300,898. The General Fund had fund balance of $2,189,223 as of September 30, 2022.

In the Road and Bridge Funds, the County spent $1,659,024 primarily on fuel, road repairs, and maintenance, $502,450 in capital expenditures and debt service payments of $437,735. The County collected revenues and other financing sources of $3,430,891 netting a $831,682 surplus. Actual revenues and other financing sources were over budget by $638,521 and actual expenditures were under budget by $375,794. The Road and Bridge Fund had a beginning fund balance of $3,123,764 and ended the year with a balance of $3,955,446 This fund balance is assigned.

In the Facilities Improvement Fund, the County spent $2,428,265 primarily on courthouse restoration. The County collected revenues and other financing sources of $717,613 netting a $1,710,652 deficit of expenditures over revenues. The Facilities Improvement Fund had a beginning equity balance of $14,444,530 and ended the year with a balance of $12,733,878. This fund balance is restricted.

In the Debt Service Fund, the County spent $704,936 in principal and interest payments on its debts. The County collected revenues of $775,573 primarily from property taxes netting a $70,637 increase of revenues over expenditures. The Debt Service Fund had a beginning equity balance of $43,972 and ended the year with a balance of $114,609. This fund balance is restricted.

In the Grant Special Revenue Funds, the County spent $246,178 on voting machines and ARPA grant expenditures. The County collected revenues and other financing sources of $1,496,867 from grants netting an increase of revenues over expenditures of $1,250,689. This fund balance is restricted.

Fund Budgetary Highlights

The County budget is prepared by the department heads and the County Judge and approved by the Commissioners' Court. The approved budget is used as a management control tool during the year, and appropriations are set at the expenditure type level. Budgetary transfers between expenditure types must be approved by the Commissioners' Court.

During the year, revenues and other financing sources in the General Fund were over the budgetary estimates by $216,591, and expenditures were less than budgetary estimates by $215,363.

CAPITAL ASSET AND LONG-TERM DEBT

Capital Assets. At the end of 2022, the County had invested $9,059,130 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure. Capital assets are documented in more detail in Note 3.

Callahan County's Capital Assets
(net of depreciation)

	Governmental Activities	
	2022	2021
Construction in progress	$ 4,701,460	$ 2,725,343
Buildings and improvements	6,610,844	5,601,752
Machinery and equipment	8,072,388	7,656,345
Infrastructure	321,954	321,954
Total at Hisorical Cost	19,706,646	16,305,394
Total Accumulated Depreciation	(10,647,516)	(9,757,743)
Net Capital Assets	$ 9,059,130	$ 6,547,651

Current year additions to capital outlays amounted to $3,741,391, and $340,139 of capital assets were disposed of. Depreciation expense was $1,188,271 for the year ended September 30, 2022.

LONG TERM DEBT Long-term debt consists of obligations under notes payable and bonds payable. During the year ended September 30, 2022, the net decrease in long-term debt was $137,909. Long-term debt is documented in more detail in Note 7. A summary of outstanding debt at year end follows.

	Governmental Activities	
	2022	2021
Notes payable	$ 2,004,303	$ 1,949,356
Bonds payable	15,320,000	15,490,000
Premium on bonds	662,817	685,673
	$ 17,987,120	$ 18,125,029

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Callahan County Commissioners' Court considered many factors when setting the fiscal year 2022-2023 budget, tax rates, and fees that will be charged for its activities. The key factors that affected the formulation of next year's budget and rates are discussed below.

- The appraisal value for the 2022-2023 budget preparation is estimated at $1,438,319,090, an increase of $599.9 million from 2021-2022.

- The tax rate established for 2022-2023 is $.640729, compared to $.740546 for 2021-2022.

Amounts available for appropriation in the General Fund budget for 2022-2023 are $7,763,927, an increase of approximately $1,710,071 over the 2021-2022 original budget of $6,053,856. Property taxes and increases in fines and fees for services will maintain the fund balance.

Requests for Information

This financial report is designed to provide a general overview of Callahan County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to the Callahan County Auditor's Office, at 100 W. Fourth Street, Suite 102, Baird, TX 79504.

BASIC FINANCIAL STATEMENTS

CALLAHAN COUNTY, TEXAS

Statement of Assets, Liabilities, and Net Position – Modified Cash Basis
September 30, 2022

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	6,110,650
Restricted cash and cash investments		16,052,592
Capital assets:		
Construction in progress		4,701,460
Infrastructure, net		10,490
Buildings, net		2,208,428
Machinery and equipment, net		2,138,752
Total assets		31,222,372
LIABILITIES		
Due within one year:		
Notes payable		605,427
Bonds payable		340,000
Due in more than one year:		
Notes payable		1,398,876
Bonds payable		15,642,817
Total liabilities		17,987,120
NET POSITION		
Net investments in capital assets		2,856,764
Restricted for:		
Debt service		114,609
Enabling legislation		559,820
Unrestricted		9,704,059
Total net position	$	13,235,252

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the year Ended September 30, 2022

		Program Revenues			Primary Government
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities					
General government	$ 2,264,176	$ 290,288	$ 1,380,105	$ 617,764	$ 23,981
Judicial	968,898	798,594	1,768		(168,536)
Financial administration	495,479	329,274			(166,205)
Facilities maintenance	293,810				(293,810)
Public safety	1,515,966	68,312	23,264		(1,424,390)
Road and bridge	2,459,929	354,868	477,872		(1,627,189)
Health and welfare	263,439	31,077	29,025		(203,337)
Culture and recreation	10,346				(10,346)
Extension service	80,958				(80,958)
Debt interest	595,794				(595,794)
Total governmental activities	8,948,795	1,872,413	1,912,034	617,764	(4,546,584)
TOTAL PRIMARY GOVERNME[illegible]	$ 8,948,795	$ 1,872,413	$ 1,912,034	$ 617,764	(4,546,584)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	5,897,276
Property taxes, levied for debt purposes	773,069
Other taxes	351,540
Miscellaneous income	685,877
Investment earnings	128,622
Gain (loss) on sale of equipment	149,572
Total general revenues	7,985,956
CHANGES IN NET POSITION	3,439,372
NET POSITION AT BEGINNING OF YEAR	9,795,880
NET POSITION AT END OF YEAR	$ 13,235,252

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
Governmental Funds
September 30, 2022

	General Fund	Road and Bridge Fund	Facilities Improvement Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,155,204	$ 3,955,446	$	$	$	$ 6,110,650
Restricted cash and cash investments			12,733,878	2,643,858	674,856	16,052,592
Due from other funds	34,019					34,019
Total assets	$ 2,189,223	$ 3,955,446	$ 12,733,878	$ 2,643,858	$ 674,856	$ 22,197,261
LIABILITIES						
Due to other funds	$	$	$	$	$ 34,019	$ 34,019
Total liabilities					34,019	34,019
FUND BALANCE						
Restricted for:						
Capital projects			12,733,878			12,733,878
Debt service					114,609	114,609
Enabling legislation					559,820	559,820
Special revenue				2,643,858	420	2,644,278
Assigned for:						
Road and Bridge		3,955,446				3,955,446
Unassigned	2,189,223				(34,012)	2,155,211
Total fund balance	2,189,223	3,955,446	12,733,878	2,643,858	640,837	22,163,242
Total liabilities and fund balances	$ 2,189,223	$ 3,955,446	$ 12,733,878	$ 2,643,858	$ 674,856	$ 22,197,261

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Reconciliation of Statement of Assets, Liabilities and Fund Balance
of Governmental Funds to the Statements of Assets, Liabilities and
Net Position – Modified Cash Basis
September 30, 2022

Total Fund Balances - Governmental Funds			$ 22,163,242
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including capital assets is an increase in net position.			
	Capital Assets	$ 19,706,646	
	Accumulated Depreciation	(10,647,516)	9,059,130
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The net effect of including long-term liabilities is a decrease in net position.			(17,987,120)
Net Position of Governmental Activities			$ 13,235,252

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Statement of Revenues, Expenditures and Changes in
Fund Balance – Modified Cash Basis – Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Road and Bridge Fund	Facilities Improvement Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	$ 4,328,133	$ 1,569,143	$	$	$ 773,069	$ 6,670,345
Other taxes	351,540					351,540
Licenses and permits	650,751	354,867			184,773	1,190,391
Intergovernmental revenue and grants	80,029	336,902	617,764	1,354,132	140,970	2,529,797
Fines and fees	682,023					682,023
Investment earnings	10,197	16,634	99,849	1,765	177	128,622
Other revenue	83,325	556,626			45,926	685,877
Total revenues	6,185,998	2,834,172	717,613	1,355,897	1,144,915	12,238,595
EXPENDITURES						
Current						
General government	1,851,328			105,208	80,178	2,036,714
Judicial	913,224				55,674	968,898
Financial administration	495,479					495,479
Facilities maintenance	292,844				966	293,810
Public safety	1,333,790				45,128	1,378,918
Road and bridge		1,659,024				1,659,024
Health and welfare	263,439					263,439
Culture and recreation	10,346					10,346
Extension service	80,958					80,958
Capital outlay	669,706	502,450	2,428,265		140,970	3,741,391
Debt service						
Debt principal	93,586	383,235			170,000	646,821
Debt interest	6,662	54,500			534,632	595,794
Total expenditures	6,011,362	2,599,209	2,428,265	105,208	1,027,548	12,171,592
(Deficit) surplus of revenues over expenditures	174,636	234,963	(1,710,652)	1,250,689	117,367	67,003
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases	112,762	419,006				531,768
Proceeds from sale of equipment	13,500	177,713				191,213
Total other financing (uses) sources	126,262	596,719	-	-	-	722,981
NET CHANGE IN FUND BALANCE	300,898	831,682	(1,710,652)	1,250,689	117,367	789,984
FUND BALANCE AT BEGINNING OF YEAR	1,888,325	3,123,764	14,444,530	1,393,169	523,470	21,373,258
FUND BALANCE AT END OF YEAR	$ 2,189,223	$ 3,955,446	$ 12,733,878	$ 2,643,858	$ 640,837	$ 22,163,242

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of
Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended September 30, 2022

Total Net Change in Fund Balances - Governmental Funds	$	789,984
Current year capital outlays and debt principal payments are expenditures in the fund financial statements, but they are reflected as an increase in capital assets and a decrease in long-term liabilities in the government-wide financial statements. The net effect of removing the capital outlay of $3,741,391 and debt principal payments of $646,821 is to increase net position.		4,388,212
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of recording the current year's depreciation is to decrease net position.		(1,188,271)
When capital assets are disposed of, the proceeds are recorded in the fund financial statements. Those proceeds are recuded by the net book value of those assets in the government-wide financial statements.		(41,641)
Amortization of premiums on bond issurance are a decrease to net position in the government-wide financial statements.		22,856
The issuance of notes payable is reported as other financing sources in the fund financial statements but is reflected as an increase in long-term debt in the government-wide financial statements.		(531,768)
Change in Net Position of Governmental Activities	$	3,439,372

The accompanying notes are an integral part of these financial statements.

CALLAHAN COUNTY, TEXAS

Statement of Fiduciary Assets and Liabilities
Custodial Funds – Modified Cash Basis
September 30, 2022

		Custodial Funds
ASSETS		
Cash and cash investments:		
District Clerk	$	547,870
County Clerk		101,695
County Attorney		2,733
Justice of Peace		65,102
Tax Assessor Collector		812,989
Total assets	$	1,530,389
LIABILITIES		
Due to others	$	1,530,389
Total liabilities	$	1,530,389

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.). Callahan County, Texas (the County) operates under a county judge/commissioners' court type of government as provided by state statute. The financial statements are presented on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2022.

The County's major activities or functions include public safety, public health and welfare services, construction and maintenance of roads and bridges, and general administrative services. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements
Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements. The statement of assets, liabilities and net position and the statement of revenues, expenses and changes in net position – modified cash basis include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund financial statements. The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The government reports the following major governmental funds:

General Fund - This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Road and Bridge Fund – This fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Facilities Improvement Fund - This fund is a capital project fund that is used for the restoration of the County building and the expansion of the annex.

ARPA Grant Fund – This fund is a special revenue fund that is used to track the revenue and expenses related to funding received through the Coronavirus State and Local Fiscal Recover funds authorized by the American Rescue Plan Act.

Additionally, the government reports the following nonmajor governmental fund types:

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principle, interest and related costs.

Capital Projects Fund – This fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

The County reported the following fiduciary fund:

Custodial Funds – These funds are used to report funds of the County's offices and other resources held in a purely custodial capacity (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a custodial capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

Measurement Focus and Basis of Accounting

In the government-wide financial statements, activities are presented using the *economic resources* measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and financial position. Capital assets, long-term liabilities and their associated activities are reported. Equity is classified as net position.

In the governmental fund financial statements, the *current financial resources* measurement focus is used, within the limitations of modified cash basis of accounting. Only current financial assets and liabilities are included on the funds balance sheets. The operating statements present sources and uses of available spendable financial resources for the current period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County prepares its financial statements (both government-wide financial statements as well as fund financial statements) on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transaction, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as taxes receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expense for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fiduciary fund financial statements and the governmental-wide financial statements would be presented using the accrual basis of accounting.

It is the County's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Separate funds are established to account for revenues and expenditures pertaining to separate identifiable functions of the County. Governmental funds do not include funds held by County offices which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. The remaining funds held by other County offices are reported as fiduciary fund types.

Cash and Cash Equivalents

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

Property Taxes

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

Legislation has been passed by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides for the establishment of countywide Appraisal Districts and for the State Property Tax Board, which commenced operation in January 1980.

Callahan County Appraisal District appraises and assesses property values in the County. The Callahan County Tax Assessor-Collector collects the County's property taxes. The County Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years.

The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceed the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate assessed for the year ended September 30, 2022 by the County was $0.740546 per $100 valuation, which includes tax rates for maintenance and operations of $0.480000, debt service rate of $0.087539, and roads and bridges of $0.173007.

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

Use of Estimates

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

Budgetary Policies

The County follows these procedures in establishing budgetary data reflected in the financial statements:
Public hearings are conducted at the Callahan County Courthouse to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Any amendments, which alter expenditures of any department, must be approved by the Commissioners' Court. Budgets for the various funds are adopted on a basis consist with the modified cash basis of accounting. The budgeted amounts presented in these statements are as originally adopted and as amended by the Commissioners' Court during the year ended September 30, 2022. All appropriations lapse at year end.

Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when paid in accordance with the benefit terms. The County does not record any pension related items or other post-employment benefit related items as the County utilizes the modified cash basis of accounting.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of $5,000 is used by the County. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	3-22 years
Infrastructure	20-45 years
Machinery and equipment	3-20 years

Fair Value Measurements

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

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Three general valuation techniques may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Change in Accounting Principles

For the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources under generally accepted accounting principles.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Change in Accounting Principle – continued

The County does not record lease liabilities or intangible right to use lease assets as the County utilizes the modified cash basis of accounting. See Note 9 for required lease disclosures under GASB 87.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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, and (10) 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. The County's investments consist of the following at September 30, 2022:

	Fair Value	Maturity	Quality Raiting
Texpool	$ 1,008,456	<60 days - Weighted Avg.	AAAm
Texpool Prime	12,100,424	<60 days - Weighted Avg.	AAAm
Certificate of Deposit	15,392	NA	NA
	$ 13,124,272		

Local government investment pools operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool. The pools manage their exposure to declines in fair values by limiting the weighted average maturity of their investment portfolios to 60 days, and they seek to maintain a constant dollar objective.

NOTE 2: DEPOSITS AND INVESTMENTS – continued

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2022 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form.

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. County funds that are considered "bond proceeds" for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Custodial funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

Other Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAA money market mutual funds registered with the SEC, TexPool is rated AAA by Standard & Poor's. It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

NOTE 3: CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2022 are as follows:

Governmental Activities:	Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022
Nondpreciable assets				
Construction in progress	$ 2,725,343	$ 2,985,209	$ (1,009,092)	$ 4,701,460
Total nondepreciable assets	2,725,343	2,985,209	(1,009,092)	4,701,460
Depreciable assets				
Infrastructure	321,954			321,954
Buildings and improvements	5,601,752	1,009,092		6,610,844
Machinery and equipment	7,656,345	756,182	(340,139)	8,072,388
Total depreciable assets	13,580,051	1,765,274	(340,139)	15,005,186
Less accumulated depreciation				
Infrastructure	(308,224)	(3,240)		(311,464)
Buildings and improvements	(4,153,465)	(248,951)		(4,402,416)
Machinery and equipment	(5,296,054)	(936,080)	298,498	(5,933,636)
Total accumulated depreciation	(9,757,743)	(1,188,271)	298,498	(10,647,516)
Governmental activities capital assets	$ 6,547,651	$ 3,562,212	$ (1,050,733)	$ 9,059,130

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General administration	$ 250,318
Public safety	137,048
Road and bridge	800,905
	$ 1,188,271

NOTE 4: RISK MANAGEMENT

A. Compensation

During the year ended September 30, 2022, employees of the County were covered by a worker's compensation plan administered by the Texas Association of Counties. The County paid contributions of $24,483 for the year ended September 30, 2022.

NOTE 4: RISK MANAGEMENT – continued

B. Health Care

During the year ended September 30, 2022, employees of the County were covered by a health insurance plan (the Plan). The County paid monthly premiums of $926 per employee totaling $527,221 for the year ended September 30, 2022. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Code and was documented by contractual agreement.

C. Risk of Loss

The County has obtained insurance coverage for general liability and property coverage through the purchase of commercial insurance. The County does not bear the risk of loss under these policies, with the exception of any deductibles required. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 5: PENSION PLAN

Plan Description
The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Commissioners are responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 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.

Benefits Provided
The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members employed by the County can retire at age 60 and above with 8 or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit.

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

NOTE 5: PENSION PLAN – continued

Membership
County membership in the TCDRS plan at December 31, 2021 consisted of the following:

Inactive Employees Receiving Benefits	48
Inactive Employees Not Yet Receiving Benefits	69
Total	117
Active Employee Accounts	73

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

Contribution Rates and Amounts

	2021	2022	Total FY 2022
Member	6.0%	6.0%	
Employers	4.33%	4.95%	
Member Contributions	$ 27,266	$ 81,284	$ 108,550
Employer Contributions	37,783	98,526	136,309

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.2 years
Asset Valuation Method	5 year smoothed market
Discount rate	7.60%
Long-term expected Investment Rate of Return*	7.50%
Salary Increases*	4.70%, average
Payroll Growth Rate	3.00%

**Includes Inflation of 2.50%*

NOTE 5: PENSION PLAN – continued

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions include reductions in the investment return, wage growth, and maximum payroll growth assumptions. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. There was no change in the discount rate since the previous year.

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

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

Based on the 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 is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

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

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of Cliffwater in this assessment.

NOTE 5: PENSION PLAN – continued

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	Dow Jones US Total Stock Market Index	11.50%	3.80%
Gobal Equities	MSCI World (net) Index	2.50%	4.10%
International Equities – Developed	MSCI Work (net) Index Ex USA	5.00%	3.80%
International Equities – Emerging	MSCI EM Standard (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/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REIT's Index + 33% FRSE EPRA/NAREIT Global Rate Estate Index	2.00%	3.10%
Master Limited Partnerships (MLP's)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions</u>

At September 30, 2022, the County has a net pension asset of $1,372,555 for its proportionate share of the TCDRS' net pension liability measured at December 31, 2021. For the year ended September 30, 2022, the County recorded pension expense of $136,309.

NOTE 5: PENSION PLAN – continued

There were no changes of assumptions or other inputs that affected measurement of the total pension liability (asset) during the measurement period.

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

Changes in the net pension asset for the year ended December 31, 2021 are as follows:

	Increases (Decreases)		
Changes in Net Pension Liability	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at December 31, 2020	$ 7,173,810	$ 7,366,761	$ (192,951)
Changes for the year:			
Service Cost	171,281		171,281
Interest on total pension liability	543,794		543,794
Effect of plan changes			-
Effect of economic/demographic gains or losses	(7,875)		(7,875)
Effect of assumptions changes or inputs	(73,213)		(73,213)
Refunds of contributions	(3,708)	(3,708)	-
Benefit payments	(383,195)	(383,195)	-
Administrative expenses		(4,757)	4,757
Member contributions		128,859	(128,859)
Net investment income		1,599,144	(1,599,144)
Employer contributions		92,993	(92,993)
Other		(2,648)	2,648
Balance as of December 31, 2021	$ 7,420,894	$ 8,793,449	$ (1,372,555)

Discount Rate Sensitivity Analysis

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability(asset) 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%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	$ 8,224,829	$ 7,420,894	$ 6,731,431
Fiduciary Net Position	(8,793,449)	(8,793,449)	(8,793,449)
Net Pension Liability/ (Asset)	$ (568,620)	$ (1,372,555)	$ (2,062,018)

NOTE 5: PENSION PLAN – continued

At December 31, 2021, the County has deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Recourses	Deferred Inflows of Recourses
Differences between expected and actual economic experience		$ 14,479
Changes in actuarial assumptions	109,827	48,809
Differences between projected and actual investment earnings		1,011,915
Contributions subsequent to the measurement date	81,284	
Total	$ 191,111	$ 1,075,203

$81,284 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ended December 31, 2022. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as pension expense as follows:

Year Ended December 31:	
2022	$ (144,692)
2023	(370,470)
2024	(241,074)
2025	(209,140)
Thereafter	
	$ (965,376)

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABIITY – TCDRS GROUP TERM LIFE

The County participates in the multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System known as the Group Term Life (GTL) program. The GTL program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated. The GTL program does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement Number 75 because the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. For GASB 75 purposes, this OPEB plan is not a cost sharing plan, so the annual benefit payments are treated as being equal to the employer's actual retiree GTL contributions for the year.

The GTL plan provides a $5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retirees GTL program. The OPEB benefit is a fixed $5,000 lump sum benefit. No future increases are assumed in the $5,000 benefit.

<u>Employees covered by benefit terms</u>
At the December 31, 2021 valuation and measurement date, the following employees were covered by the GTL:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	16
Active employees	73

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABIITY – TCDRS GROUP TERM LIFE – continued

OPEB Liability

The County's total OPEB liability related to the TCDRS GTL program, measured as of December 31, 2021 was $269,569, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability related to the County's GTL program were determined using the Entry Age Normal actuarial cost method. The actuarially determined contributions rates were calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions were reported.

The significant actuarial methods and assumptions are as follows:

Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	2.06% - 20 Year Bond GO Index published by bondbuyer.com as of December 30, 2021
Mortality:	
Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014
Service retirees, beneficiaries, and non- depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Tables for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Tables for females, both project with 110% of the MP-2014 Ultimate scale after 2014

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2018.

Changes in OPEB Liability	Total OPEB Liability (a)
Balance as December 31, 2020	$ 257,519
Changes for the year:	
Service cost	11,047
Interest on total OPEB liability	5,632
Change of benefit terms	
Difference between expected and actual experience	(4,999)
Changes in assumptoins or other inputs	6,169
Benefit payments	(5,799)
Other changes	
Net Changes	12,050
Balance as of December 31, 2021	$ 269,569

NOTE 6: OTHER POST EMPLOYMENT BENEFIT LIABIITY – TCDRS GROUP TERM LIFE – continued

Sensitivity of the OPEB Liability to changes in the discount rate
The following presents the OPEB liability of the County, calculated using the discount rate of 2.06%, as well as what the County's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.06%) or 1-percentage-point higher (3.06%) than the current rate:

	Decrease in Discount Rate (1.06%)	Discount Rate (2.06%)	Increase in Discount Rate (3.06%)
County's OPEB Liability	$ 319,653	$ 269,569	$ 230,603

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB
For the year ended September 30, 2022, the County recognized OPEB expense of $27,543.

At September 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Recourses	Deferred Inflows of Recourses
Differences between expected and actual economic experience	$ 982	$ 6,415
Changes in actuarial assumptions	33,631	3,626
Differences between projected and actual investment earnings		
Contributions subsequent to the measurement date	5,912	
Total	$ 40,525	$ 10,041

The deferred outflows balance includes contributions subsequent to the measurement date of $5,912. This amount will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2022	$ 9,812
2023	14,466
2024	294
2025	
Thereafter	
	$ 24,572

NOTE 7: LONG-TERM OBLIGATIONS

Current requirements for indebtedness of the County are accounted for in the Debt Service, General, and Road and Bridge Funds. A summary of changes in long-term obligations at September 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	$ 1,949,356	$ 531,768	$ (476,821)	$ 2,004,303	$ 605,427
GO Refunding Bonds	15,490,000		(170,000)	15,320,000	340,000
Premium on Bonds	685,673		(22,856)	662,817	-
Total Governmental Activites Long-term Liabilities	$ 18,125,029	$ 531,768	$ (669,677)	$ 17,987,120	$ 945,427

At September 30, 2022, the County had notes payable totaling $2,004,303 with interest rates ranging from 2.50% and 4.99% and are secured by equipment. Based on the required payments the future maturities are as follows:

Fiscal Year	Principle	Interest	Total
2023	$ 605,427	$ 60,152	$ 665,579
2024	362,182	41,056	403,238
2025	516,544	26,313	542,857
2026	337,025	9,829	346,854
2027	33,606	8,399	42,005
2028-2030	149,519	483	150,002
	$ 2,004,303	$ 146,232	$ 2,150,535

The County issued a Certificate of Obligation, Series 2015 at par on November 16, 2015 for $1,500,000. Proceeds from the issuance of Certificate of Obligation, Series 2015 were used for building improvements and updates for the courthouse. On March 9, 2021, these bonds were refunded with the 2021 Series.

The County issued a General Obligation Refunding and Improvement Bonds, Series 2021 on March 9, 2021 for $15,490,000. Proceeds from the issuance of General Obligation Refunding and Improvement Bonds, Series 2021 were used for building improvements and updates for the courthouse. At September 30, 2022, the County had bonds payable totaling $15,320,000 with an interest rate of 2.00% to 4.00%.

NOTE 7: LONG-TERM OBLIGATIONS – continued

Based on the required payment the future maturities are as follows:

Fiscal Year	Principle	Interest	Total
2023	$ 340,000	$ 362,500	$ 702,500
2024	355,000	348,600	703,600
2025	370,000	334,100	704,100
2026	385,000	319,000	704,000
2027	400,000	303,300	703,300
2028-2032	2,245,000	1,277,700	3,522,700
2033-2037	2,550,000	997,000	3,547,000
2038-2042	2,825,000	728,650	3,553,650
2043-2047	3,120,000	431,500	3,551,500
2048-2051	2,730,000	110,700	2,840,700
	$ 15,320,000	$ 5,213,050	$ 20,533,050

NOTE 8: UNSPENT BOND PROCEEDS

As of September 30, 2022, the County held unspent bond proceeds as follows:

Bond and bond premium	$ 16,175,673
Bond funds expended	(4,390,919)
	$ 11,784,754

NOTE 9: LEASES

Lease agreements under GASB 87 are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Imputed Interst Rate	Total Lease Liability	Balance at September 30, 2022
Craig Pruet - Storage Space	5/1/2021	36 months	1,500	0.33%	$ 50,806	$ 27,571
Craig Pruet - Courthouse	6/1/2021	36 months	4,250	0.33%	143,951	82,097
DC of Baird - DPS and Driver's License	7/1/2021	36 months	450	0.33%	15,242	9,112
Copier - DC CC and Mail Room	7/1/2019	48 months	835	0.42%	36,265	7,363
Copier - DPS	9/1/2018	48 months	75	0.42%	3,274	-
Copier - Jail Office	9/1/2022	48 months	294	0.42%	12,766	12,525
Total Liabilities for Leased Assets						$ 138,668

NOTE 9: LEASES – continued

The Craig Pruet – Storage Space is leased for storage space while the Courthouse is being renovated. The lease expires April 30, 2024 unless the County exercises their right to extend the lease for an additional 12 months. No interest rate is stated.

The Craig Pruet – Courthouse is used as the temporary Courthouse space during the renovation of the Courthouse. The lease expires May 31, 2024 unless the County exercises their right to extend the lease for an additional 12 months. No interest rate is stated.

The Development Corporation of Baird space is temporary office space for the DPS and Driver's License office while the Courthouse is being renovated. There are no early termination rights nor any rights to extend the lease. There is no stated interest rate.

The copiers were all leased for the various offices, beginning on various dates as stated above, each for a term of four years with no fixed interest rate. The County can purchase the equipment for the fair market value of the equipment at the lease termination date.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending September 31	Principal	Interest
2023	$ 81,271	$ 4,173
2024	50,961	1,117
2025	3,281	247
2026	3,155	79
	$ 138,668	$ 5,616

Total intangible right of use assets related to these leases and the related amortization is as follows:

	Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022
Intangible Right of Use Assets				
Temporary buildings	209,999			209,999
Copiers	39,539	12,766		52,305
Total intangible right of use assets	249,538	12,766	-	262,304
Less Accumulated Amortization				
Temporary buildings	(24,321)	(70,000)		(94,321)
Copiers	(22,923)	(10,082)		(33,005)
Total accumulated amortization	(47,244)	(80,082)	-	(127,326)
Governmental activities right of use assets	$ 202,294	$ (67,316)	$ -	$ 134,978

NOTE 10: FUND BALANCES

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different classification of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable fund balance category is associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At September 30, 2022, the restricted fund balance is composed of the following:

Nonmajor Governmental Funds	
Historical Commission	$ 8,817
Historical Commission CD	15,392
Bad Check Processing	1,041
Records Management - CC	107,649
Callahan Co. Seizure Acct.	68,074
Callahan Co. Clerk Record Archives	24,809
Callahan Co. Management and Preservation	930
Callahan Co. Law Library	18,701
Callahan Co. Vital Statistics Fees	296
Courthouse Security	65,860
Co. & District Clerk Court Technology	15,783
District Clerk Records Management	31,800
Sheriff's Dept. Forfeiture	4,688
Co. Atty. Forfeiture Fund	54
Co. Attorney's Pre-Trial	734
District Clerk Records Technology	20,008
C. Health Care Saving	95,675
Callahan Co. Library Fund	1,008
Election Fund	13,417
Callahan Co. Escrow Fund	60,000
Callahan Co. Language AC	811
Callahan CO Dispute Resolution	1,100
Callahan Co Court Facility	3,173
Capital Project Fund	12,733,878
Debt Service Fund	114,609
Grant Funds	2,644,278
Total restricted fund balance	$ 16,052,585

NOTE 10: FUND BALANCES – continued

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (The County's highest level of decision-making authority).

Assigned fund balance classification is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. This includes amounts constrained for a specific purpose by the Commissioners' Court or by the County Treasurer who has been delegated by official action the authority to assign amounts. At September 30, 2022, the assigned fund balance for the road and bridge fund totaled is $3,955,446.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

<u>Order of Fund Balance Spending Policy</u>

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows:
1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

NOTE 11: COMMITMENTS AND CONTINGENCIES

<u>Commitments</u>

A grant award of $4,684,891 was made to Callahan County, Texas by the Texas Historical Commission on June 17, 2020 for the preservation of the Callahan County Courthouse through the Texas Historical Courthouse Preservation Program. The estimated cost of the total project is approximately $11.5 million, with the remaining costs of the project to be funded by the County with local funds and a bond issuance that was approved by the voters of Callahan County on November 3, 2020.

The County issued General Obligation Refunding and Improvement Bonds, Series 2021 in the amount of $15,490,000 to provide financing for the Courthouse restoration and to restore, expand, and improve the County Annex Building, the Calvo Building, and the Historic 1877 Jail Building. The Bonds were funded on March 10, 2021. As part of this restoration project, the County has signed contracts with architects and contractors, and has purchased buildings and entered into leases for temporary operations while the project is in progress.

<u>Contingencies</u>

The County participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations over the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

SUPPLEMENTARY INFORMATION

CALLAHAN COUNTY, TEXAS

General Fund
Budgetary Comparison Schedule – Modified Cash
For the Year Ended September 30, 2022

	Budget Original	Budget Final	Actual	Variance From Final Budget
REVENUES				
Taxes:				
Property taxes	$ 4,312,391	$ 4,312,391	$ 4,328,133	$ 15,742
Other taxes	327,600	349,782	351,540	1,758
Licenses and permits	526,664	606,917	650,751	43,834
Intergovernmental revenue and grants	53,200	71,870	80,029	8,159
Fines	650,315	650,315	682,023	31,708
Investment earnings	4,000	4,000	10,197	6,197
Other revenue	46,230	100,394	83,325	(17,069)
Total revenues	5,920,400	6,095,669	6,185,998	90,329
EXPENDITURES				
Current:				
General government	1,840,120	1,903,514	1,851,328	52,186
Judicial	1,062,429	1,052,240	913,224	139,016
Financial administration	547,420	536,817	495,479	41,338
Facilities maintenance	183,203	436,834	292,844	143,990
Public safety	1,565,259	1,400,129	1,333,790	66,339
Health and welfare	350,300	279,193	263,439	15,754
Culture and recreation	18,269	18,392	10,346	8,046
Extension service	94,445	84,348	80,958	3,390
Capital outlay	270,282	413,620	669,706	(256,086)
Debt service				
Debt principal	108,410	93,586	93,586	-
Debt interest	11,319	8,052	6,662	1,390
Total expenditures	6,051,456	6,226,725	6,011,362	215,363
Surplus (deficit) of revenues over expenditure	(131,056)	(131,056)	174,636	305,692
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases			112,762	112,762
Proceeds from sale of equipment			13,500	13,500
Total other financing sources (uses)	-	-	126,262	126,262
CHANGE IN FUND BALANCE	(131,056)	(131,056)	300,898	431,954
FUND BALANCE AT BEGINNING OF YEAR	1,888,325	1,888,325	1,888,325	-
FUND BALANCE AT END OF YEAR	$ 1,757,269	$ 1,757,269	$ 2,189,223	$ 431,954

CALLAHAN COUNTY, TEXAS

Road and Bridge Fund
Budgetary Comparison Schedule – Modified Cash
For the Year Ended September 30, 2022

	Budget Original	Budget Final	Actual	Variance From Final Budget
REVENUES				
Taxes				
Property taxes	$ 1,534,835	$ 1,534,835	$ 1,569,143	$ 34,308
Licenses and permits	387,000	387,000	354,867	(32,133)
Intergovernmental revenue and grants	174,900	318,045	336,902	18,857
Investment earnings	4,000	4,000	16,634	12,634
Other revenue	44,000	531,277	556,626	25,349
Total revenues	2,144,735	2,775,157	2,834,172	59,015
EXPENDITURES				
Current:				
Road and bridge	2,022,020	2,588,691	1,659,024	929,667
Capital outlay		43,107	502,450	(459,343)
Debt service:				
Debt principal	246,386	285,620	383,235	(97,615)
Debt interest	58,962	57,585	54,500	3,085
Total expenditures	2,327,368	2,975,003	2,599,209	375,794
Deficit revenues over expenditures	(182,633)	(199,846)	234,963	434,809
OTHER FINANCING SOURCES				
Proceeds from capital leases			419,006	419,006
Proceeds from sale of equipment		17,213	177,713	160,500
Total other financing sources	-	17,213	596,719	579,506
CHANGE IN FUND BALANCE	(182,633)	(182,633)	831,682	1,014,315
FUND BALANCE AT BEGINNING OF YEAR	3,123,764	3,123,764	3,123,764	-
FUND BALANCE AT END OF YEAR	$ 2,941,131	$ 2,941,131	$ 3,955,446	$ 1,014,315

CALLAHAN COUNTY, TEXAS

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios
Texas County and District Retirement System
For the Year Ended September 30, 2022

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability								
Service cost	$ 171,281	$ 169,747	$ 136,923	$ 137,061	$ 142,294	$ 148,440	$ 141,113	$ 136,328
Interest on total pension liability	543,794	530,002	505,642	490,251	468,564	439,466	435,613	410,864
Effect of plan changes	-	-	-	-	-	-	(7,103)	-
Effect of assumption changes or inputs	(73,213)	329,481	-	-	80,811	-	67,597	-
Effect of economic/demographic (gains) or losses	(7,875)	(27,685)	25,329	(61,056)	(73,396)	26,026	(249,415)	48,163
Benefit payments/refunds of contributions	(386,903)	(394,770)	(404,970)	(348,314)	(342,430)	(306,689)	(321,391)	(322,217)
Net change in total pension liability	247,084	606,775	262,924	217,942	275,843	307,243	66,414	273,138
Total pension liability, beginning	7,173,810	6,567,035	6,304,112	6,086,170	5,810,327	5,503,084	5,436,670	5,163,532
Total pension liability, ending (a)	$ 7,420,894	$ 7,173,810	$ 6,567,036	$ 6,304,112	$ 6,086,170	$ 5,810,327	$ 5,503,084	$ 5,436,670
Fiduciary Net Position								
Employer contributions	$ 92,993	$ 97,902	$ 94,875	$ 92,987	$ 94,429	$ 111,321	$ 107,026	$ 109,406
Member contributions	128,859	121,838	119,841	107,500	104,534	106,283	94,296	92,770
Investment income net of investment expenses	1,599,144	706,768	994,037	(119,539)	823,051	393,730	73,242	364,146
Benefit payments/refunds of contributions	(386,903)	(394,770)	(404,970)	(348,314)	(342,430)	(306,689)	(321,391)	(322,217)
Administrative expenses	(4,757)	(5,390)	(5,216)	(4,861)	(4,208)	(4,271)	(3,894)	(4,140)
Other	(2,649)	(4,501)	(5,560)	(3,768)	(1,964)	39,463	(150,296)	37,894
Net change in fiduciary net position	1,426,687	521,847	793,007	(275,995)	673,412	339,837	(201,017)	277,859
Fiduciary net position, beginning	7,366,762	6,844,915	6,051,909	6,327,904	5,654,491	5,314,652	5,515,669	5,237,810
Fiduciary net position, ending (b)	$ 8,793,449	$ 7,366,762	$ 6,844,916	$ 6,051,909	$ 6,327,903	$ 5,654,489	$ 5,314,652	$ 5,515,669
Net pension liability / (asset), ending = (a) - (b)	$ (1,372,555)	$ (192,952)	$ (277,880)	$ 252,203	$ (241,733)	$ 155,838	$ 188,432	$ (78,999)
Fiduciary net position as a percentage of total pension liability	118.50%	102.69%	104.23%	96.00%	103.97%	97.32%	96.58%	101.45%
Pensionable covered payroll	$ 2,147,643	$ 2,030,633	$ 1,997,343	$ 1,791,661	$ 1,742,236	$ 1,684,130	$ 1,571,601	$ 1,546,161
Net pension liability as a percentage of covered payroll	-63.91%	-9.50%	-13.91%	14.08%	-13.87%	9.25%	11.99%	-5.11%

CALLAHAN COUNTY, TEXAS

Schedule of Employer Contributions
Texas County and District Retirement System
For the Year Ended September 30, 2022

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2012	$ 92,050	$ 92,243	$ (193)	$ 1,445,048	6.38%
2013	99,865	99,865	-	1,457,896	6.85%
2014	109,314	109,406	(92)	1,546,161	7.08%
2015	107,026	107,026	-	1,571,601	6.81%
2016	111,321	111,321	-	1,684,130	6.61%
2017	94,429	94,429	-	1,742,236	5.42%
2018	92,987	92,987	-	1,791,661	5.19%
2019	94,875	94,875	-	1,997,343	4.75%
2020	97,876	97,902	(26)	2,030,633	4.82%
2021	92,993	92,993	-	2,147,643	4.33%

CALLAHAN COUNTY, TEXAS

Notes to the Schedule of Employer Contributions
For the Year Ended September 30, 2022

Note A: Net Pension Liability - Texas County & District Retirement System

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

Valuation date	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16.2 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. 4.7%, average over career, including inflation
Investment rate of return	7.50%, net of administratie and investment expenses, includig inflation
Retirement Age	Members who are eligible for service retirement age assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

CALLAHAN COUNTY, TEXAS

Schedule of Changes in OPEB Liability and Related Ratios
For the Year Ended September 30, 2022

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB Liability					
Service cost	$ 11,047	$ 10,298	$ 6,989	$ 7,795	$ 6,399
Interest on total OPEB liability	5,632	6,373	7,271	6,631	6,687
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	6,169	24,910	41,372	(18,134)	6,824
Effect of economic/demographic (gains) or losses	(4,999)	(3,286)	2,452	(5,116)	(65)
Benefit payments/refunds of contributions	(5,799)	(6,092)	(6,192)	(5,375)	(5,401)
Net change in total OPEB liability	12,050	32,203	51,892	(14,199)	14,444
Total OPEB liability, beginning	257,519	225,316	173,424	187,623	173,179
Total OPEB liability, ending (a)	$ 269,569	$ 257,519	$ 225,316	$ 173,424	$ 187,623
Plan Fiduciary Net Position (b)	$ -	$ -	$ -	$ -	$ -
Net OPEB liability / (asset), ending = (a) - (b)	$ 269,569	$ 257,519	$ 225,316	$ 173,424	$ 187,623
Fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	$ 2,147,643	$ 2,030,633	$ 1,997,343	$ 1,791,661	$ 1,742,236
Net OPEB liability as a percentage of covered payroll	12.55%	12.68%	11.28%	9.68%	10.77%

CALLAHAN COUNTY, TEXAS

Combining Statement of Assets, Liabilities, and Fund Balance – Modified Cash Basis
Nonmajor Governmental Funds
September 30, 2022

	Capital Improvement Fund	Debt Service Fund	Election Grant Fund	Restricted Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Restricted cash and cash investments	7	114,609	420	559,820	674,856
Total assets	$ 7	$ 114,609	$ 420	$ 559,820	$ 674,856
LIABILITIES					
Due to other funds	$ 34,019	$	$	$	$ 34,019
Total liabilities	34,019	-	-	-	34,019
FUND BALANCE					
Restricted for:					
Debt service		114,609			114,609
Enabling legislation				559,820	559,820
Special revenue			420		420
Unassigned	(34,012)				(34,012)
Total fund balance	(34,012)	114,609	420	559,820	640,837
Total liabilities and fund balance	$ 7	$ 114,609	$ 420	$ 559,820	$ 674,856

CALLAHAN COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis
Nonmajor Governmental Funds
September 30, 2022

	Capital Improvement Fund	Debt Service Fund	Electon Grant Fund	Restricted Fund	Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
Property taxes	$	$ 773,069	$	$	$ 773,069
Licenses and permits				184,773	184,773
Intergovernmental revenue and grants			140,970		140,970
Investment earnings		177			177
Other revenue		2,327		43,599	45,926
Total revenues	-	775,573	140,970	228,372	1,144,915
EXPENDITURES					
Current					
General government		304		79,874	80,178
Judicial				55,674	55,674
Facilities maintenance				966	966
Public safety				45,128	45,128
Health and welfare					-
Extension service					-
Capital outlay			140,970		140,970
Debt service					
Debt principal		170,000			170,000
Debt interest		534,632			534,632
Total expenditures	-	704,936	140,970	181,642	1,027,548
NET CHANGE IN FUND BALANCE	-	70,637	-	46,730	117,367
FUND BALANCE AT BEGINNING OF YEAR	(34,012)	43,972	420	513,090	523,470
FUND BALANCE AT END OF YEAR	$ (34,012)	$ 114,609	$ 420	$ 559,820	$ 640,837

SINGLE AUDIT SECTION

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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 Honorable County Judge and
Members of the Commissioners Court of
Callahan County, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Callahan County, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Callahan County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

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.

Roberts + McGee, CPA

Roberts & McGee, CPA

Abilene, Texas
March 24, 2023

ROBERTS & MCGEE, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Callahan County, Texas' compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on each of Callahan County, Texas' major state programs for the year ended September 30, 2022. Callahan 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, Callahan 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 September 30, 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 State of Texas Single Audit Circular (State Circular). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Callahan 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 Callahan 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 its 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 Callahan 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 Circular 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 Callahan 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 Circular, 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 Callahan 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 Callahan 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 Circular, but not for the purpose of expressing an opinion on the effectiveness of Callahan 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.

<u>Report on Internal Control Over Compliance</u>

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 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 have not been 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 Circular. Accordingly, this report is not suitable for any other purpose.

Roberts + McGee, CPA

Roberts & McGee, CPA

Abilene, Texas
March 24, 2023

CALLAHAN COUNTY, TEXAS

Schedule of Expenditures of State Awards
For the Year Ended September 30, 2022

State Grantor/Pass-Through Grantor/Program Title	Project Number	Expenditures, Indirect Costs, & Refunds
Texas Indigent Defense Commission		
Texas Indigent Defense Commission Formula Grant	212-22-0030	$ 21,992
Texas Secretary of State:		
Reimbursement for Auditable Voting Machines	RAVM - 030	140,970
Office of the Governor		
National Incident-Based Reporting System	4115001	18,000
Texas Department of Transportation		
County Transportation Infrastructure Fund Grant	CTIF - 02-030	20,520
Texas Historical Commission		
Texas Historic Courthouse Preservation Program	Callahan 10P.2018	1,129,533
TOTAL STATE AWARDS		$ 1,331,015

Notes to the Schedule of Expenditures of State Awards
For the Year Ended September 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Awards (SESA) presents the activity of all applicable state awards of Callahan County, Texas for the year ended September 30, 2022. The County's reporting entity is defined in Note 1 of the financial statements. State awards subject to single audit received from state agencies are included on the Schedule of Expenditures of State Awards. The information is presented in accordance with the requirements of the State of Texas Single Audit Circular. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or change in net position of the County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying Schedule of Expenditures of State Awards are reported on the modified cash basis of accounting. The modified cash basis of accounting is described in Note 1 of the financial statements. Such expenditures are recognized following the cost principles contained in the State Circular, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The format for the Schedule of Expenditures of State Awards has been prescribed by the State Circular. Such format includes expenditures recognized in Callahan County, Texas' financial statements. Callahan County, Texas has not elected to use a 10 percent de minimis indirect cost rate. No state financial assistance has been provided to a subrecipient.

NOTE 3: DIFFERENCES FROM FINANCIAL STATEMENTS

The County reports on a modified cash basis of accounting, therefore, differences exist between intergovernmental revenues and expenditures of state awards.

Federal ARPA funds received	$ 1,354,132
(Expended $105,208)	
State Texas Historic Courthouse Preservation	
Program funds received	617,764
(Expended $1,129,533)	
Other state and local intergovernmental	
revenue received	557,902
Total Intergovernmental Revenues	$ 2,529,798

CALLAHAN COUNTY, TEXAS

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

A. Summary of Auditor's Results

1.	Type of auditor's report issued on the financial statements:	Unmodified
2.	No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.	
3.	Noncompliance which is material to the financial statements:	None
4.	No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.	
5.	Type of auditor's report on compliance for major programs:	Unmodified
6.	Did the audit disclose findings which are required to be reported in accordance with 2 CFR Section 200.516(a):	No
7.	State major program: Texas Historic Courthouse Preservation Program	
8.	Dollar threshold used to distinguish between Type A and Type B state programs:	$300,000
9.	Low-risk auditee:	No

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs Related to the State Award Programs

None

CALLAHAN COUNTY, TEXAS

Schedule Status of Prior Findings and Questioned Costs
For the Year Ended September 30, 2022

None