

**COUNTY OF GAINES  
INDEPENDENT AUDITOR'S REPORT**

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**FOR THE YEAR ENDED  
SEPTEMBER 30, 2022**

# COUNTY OF GAINES

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and Commissioners' Court  
County of Gaines  
P.O. Box 847  
Seminole, Texas 79360

**Report on the Audit of the Financial Statements**

***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 County of Gaines, Seminole, 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 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 the County of Gaines, Seminole, Texas, as of September 30, 2022, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Gaines, Seminole, Texas and to meet our 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 a 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 opinion is not modified with respect to that matter.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### Other Matters

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, the schedule of employer contributions and schedule of expenditures of state awards and related notes on pages 3 – 10 and 44 – 56 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Gaines, Seminole, Texas' basic financial statements. The accompanying schedule of expenditures of state awards as required by Texas Uniform Grant Management Standards is 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 schedule of expenditures of state awards is 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 January 13, 2023, on our consideration of the County of Gaines, Seminole, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Gaines, Seminole, Texas' 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 of Gaines, Seminole, Texas' internal control over financial reporting and compliance.

*Davis, Ray & Co.*

Seminole, Texas  
January 13, 2023

# COUNTY OF GAINES

*Esmeralda Felan*  
County Auditor



January 13, 2023

Honorable Reed A. Filley, District Judge, 106<sup>th</sup> Judicial District

Honorable Commissioners Court:

Cindy Therwhanger County Judge

Brian Rosson Commissioner, PCT 1

David Murphree Commissioner, PCT 3

Josh Elder

Biz Houston

Commissioner, PCT 2

Commissioner, PCT 4

In accordance with Chapter 114.025(c) VTCA, I submit herewith my report of the financial position of County of Gaines, Texas as of September 30, 2022 together with the results of the operations for the fiscal year of 2022.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Audited Financial Report, the management of County of Gaines, Texas, discusses and analyzes the County's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditors' report and the County's basic financial statements which begin on page 11.

## FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, County of Gaines's net position was \$70,229,338 an increase of \$2,103,518 from the prior year. Of this amount, \$34,062,880 was unrestricted net position.
- The County has no capital long term debt, but does have various operating leases for computer equipment and copiers, as well as a capital lease for golf course maintenance equipment. Everything else is on a cash basis.
- During the year, the County had expenses of \$25,738,831 which were \$2,103,518 less than the \$27,842,349 generated in Program and General Revenues. This compares to last year when revenues exceeded expenses by \$1,325,811.
- The General Fund ended the year with a fund balance of \$6,525,947 as compared to last year's fund balance of \$6,468,015.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to County of Gaines' basic financial statements. County of Gaines' basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the County as a whole and present a long-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.



Fund financial statements (starting on page 13) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the County were sold to departments within the County or to external consumers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements (starting on page 21) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the County's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the County is better or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. The County has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

These two statements report the County's net position and changes in position. The County's net position (the difference between assets and liabilities) provides one measure of the County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County reports governmental activities:

Governmental activities – Most of the basic services are reported here, including general administration, law enforcement, judicial, road and bridge maintenance, cemetery, parks, airport and library services. Property taxes, courts and services revenue and vehicle registration fees finance most of these activities.

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

*Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified cash basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.*

*Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Following each of the governmental fund financial statements (the balance sheet and the statement of revenues, expenditures and changes in fund balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.*

*Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 19. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Position. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.*

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental and business-type activities.

Net position of the County's governmental activities increased from \$68,125,820 to \$70,229,338. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – was \$34,062,880 at September 30, 2022.



Table I  
County of Gaines, Texas  
NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Assets:		
Current and Other Assets	34,062,880	29,820,754
Capital Assets	36,264,153	38,454,815
<b>Total Assets</b>	<b>70,327,033</b>	<b>68,275,569</b>
Liabilities:		
Lease Obligation Payable-Current Portion	54,013	52,054
Noncurrent Liabilities		
Lease Obligation Payable-Noncurrent Portion	43,682	97,695
<b>Total Liabilities</b>	<b>97,695</b>	<b>149,749</b>
Net Assets:		
Net Investment in Capital Assets	36,166,458	38,305,066
Unrestricted Net Position	34,062,880	29,820,754
<b>Total Net Position</b>	<b>70,229,338</b>	<b>68,125,820</b>

Table II  
County of Gaines, Texas  
CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program Revenues:		
Charges for Services	2,159,083	2,205,797
Operating Grants and Contributions	4,499,323	3,156,474
Capital Grants and Contributions	160,873	50,000
<b>Total Program Revenues</b>	<b>6,819,279</b>	<b>5,412,271</b>
General Revenues:		
Taxes		
Property Taxes, Levied for General Purposes	19,483,272	19,558,222
Investment Earnings	255,863	35,391
Miscellaneous Revenue	1,030,926	84,988
Gain on Sale of Assets	253,009	168,625
<b>Total General Revenue and Special Items</b>	<b>21,023,070</b>	<b>19,847,226</b>
<b>Total Program &amp; General Revenues</b>	<b>27,842,349</b>	<b>25,259,497</b>



Table II (Continued)  
County of Gaines, Texas  
CHANGES IN NET POSITION

	Governmental Activities-2022	Governmental Activities-2021
Expenses:		
General Administration	1,810,797	1,702,385
Judicial	2,079,827	1,902,948
Elections	250,613	228,638
Financial Administration	696,962	665,099
Tax Administration	677,450	664,750
Facilities Management	2,104,702	1,899,819
Law Enforcement	2,225,771	2,043,419
Fire Protection	703,134	379,518
Corrections	3,240,444	2,868,951
Civil Defense	90,114	92,310
Road and Bridge	8,205,508	8,132,495
Sanitation	22,519	22,519
Airport	109,031	150,415
Health	791,524	790,928
Human Services	77,443	75,620
Golf Course	975,509	953,568
Parks	559,989	339,760
Museums	154,096	145,654
County Extension Service	194,129	168,628
Libraries	454,133	415,605
Senior Citizens	315,136	290,657
<b>Total Expenses</b>	<b>25,738,831</b>	<b>23,933,686</b>
<b>Change in Net Position</b>	<b>2,103,518</b>	<b>1,325,811</b>
<b>Net Position at Beginning of Year</b>	<b>68,125,820</b>	<b>66,800,009</b>
<b>Net Position at End of Year</b>	<b>70,229,338</b>	<b>68,125,820</b>

Key factors related to the County's financial performance over the last year include the following:

1. Mineral values decreased about 9.95% while real property taxable values increased by \$292,149.
2. The court worked hard this year to keep the tax rate as low as possible and made no significant increases to the overall budget.
3. The county and the City of Seagraves signed an Inter-local Agreement that transferred ownership of the Seagraves Community Building to the City of Seagraves.
4. The county received sealed bids for the old post office building in Seminole and upon accepting the bid, ownership was transferred to Triton Enertech, LLC.
5. In late FY 2022, the City of Seminole transferred ownership of the old EMS building to the County. The County will begin renovations to the location to use as the new Emergency Operations Center (EOC) in FY 2023.
6. Sealed bids were accepted to replace the roof on the Courthouse due to hail damage. Although the bid was awarded in FY 2022, the work will not begin until FY 2023 due to supply chain issues. The roof replacement will be paid with insurance proceeds received in FY 2022.
7. Local officials, department heads and employees are committed to staying within their budgets and not asking for unnecessary things. This attention to budget discipline really helps the County control its costs.

8. FY 2022 continued to have some unforeseen circumstances due to the worldwide pandemic. Supply chain shortages, availability issues, price increases on many of the items used for the daily maintenance and operations of County facilities and offices will continue to be problematic. This issue will continue into the foreseeable future.

The cost of all governmental activities this year was \$25,738,831 which was a 7.54% increase over the prior year. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities was \$19,483,272 because some of the costs were paid with charges for services of \$2,159,083 a \$46,714 decrease from the year before and operating and capital grants and contributions of \$4,660,196 a \$1,503,722 increase.

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet on page 13-14) reported a combined fund balance of \$34,062,880 which is \$4,242,126 more than last year's total of \$29,820,754.

For fiscal year 2022, actual expenditures out of the General Fund were \$14,564,243 compared to the final expenditure budget of \$14,597,056. Actual revenue on a budgetary basis was \$14,934,615 compared to the final budget of \$14,633,560. Reasons for the actual numbers varying from the budget follow:

- The various categories of revenues were significantly higher than budgeted for a variety of reasons.
  - Property tax received was higher than budgeted because the Court only budgets 97% of the levy.
  - Charges for services was higher because of higher utilization of services, not fee raises.
- Total disbursements were \$32,813 less than budgeted.
- In fact, the majority of expenditure categories came in under budget as the court and the various officials and department heads really limited spending to only what was necessary.

Over the course of the year, the County's Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments. This was accomplished by moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The primary amendments include moving contingency/reserve budgeted amounts to amend other lines to allow:

- Finishing various capital and non-capital projects,
- Increasing several line items in a variety of departments to purchase or replace various items,
- Purchasing furniture and equipment.

Page 44 provides a comparison of these changes as they relate to the General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2022, the County had \$36,264,153, a decrease of \$2,190,662, invested in a broad range of capital assets, including land, buildings, and equipment. The County's fiscal year 2022 capital outlay expenditures in all funds totaled \$1,205,315. This includes the following:

- Various pieces of heavy machinery were purchased.
- Various pieces of fleet replacement equipment were purchased.
- A new show ring for the stock show.

More detailed information about the County's capital assets is presented in Note III, Item D to the financial statements.

At year end, the County had \$240,516 in commitments under operating and capital leases.



More detailed information about the County's long-term liabilities is presented in Note III, Item E and F to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Judge and Commissioners' Court members considered many factors when setting the FY 2023 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values increased 40.81%. Local property tax values increased \$266,692. The Court increased the budget and adopted a tax rate increase of 14.71% to fund the approved budget and to help mitigate any future budgetary constraints. Therefore, in anticipation of increases in prices for services and supplies, Gaines County postured the budget to meet these future needs.
2. Elected official/employee base pay received a cost-of-living increase of 6%. The Sheriff Elected official/employees base pay received a cost-of-living increase of 8%. The Court did allow longevity increases for the employees. There were no changes to the retirement system or other employee benefits.
3. The Court continues to save and pay cash for projects. By paying cash for these projects, the County continues to be able to say that it is debt free and saves the taxpayers a small fortune in debt servicing costs. In the end, the Court adopted a tax rate of \$0.494764 which was 11.1160 cents per hundred less than last year's tax rate. The adopted tax rate was higher than the No-New-Revenue Tax Rate but below the Voter-Approval Tax Rate.
4. The court believes in maintaining all county facilities, and the Capital Projects fund may be used to upgrade and modify existing county buildings this year.
5. Gaines County is growing as is all of West Texas. The oil and agriculture industries in our area continue to be very unpredictable. This year is a classic example of the boom-and-bust cycle of the oil industry and agriculture continues to be challenging for those that work in this vital industry. These two industries remain the largest parts of our local business activity, and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for the County of Gaines. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil and agriculture to help create stability and diversification for our local economy.

## REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, investors and creditors with a general overview of the County of Gaines' finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact County Auditor, County of Gaines, Texas, PO Box 847, Seminole, Texas 79360.

## ACKNOWLEDGMENTS

For their assistance and cooperation already and during the upcoming year, we thank the District Judge, County Judge, Commissioners' Court, Treasurer's Office and other elected officials, department heads, foremen and employees in the various departments. The interest and involvement of the Commissioners' Court in planning and conducting the financial operations of the County is appreciated.

Kudos also to the Auditor's staff for their hard work, knowledge and willingness to help the great folks serving the County of Gaines. Please remember that the County Auditor's Office is here to help and looks forward to the opportunity of working with anyone who calls upon them.

Respectfully submitted,

*Esmeralda Felan*

County of Gaines Auditor



## **BASIC FINANCIAL STATEMENTS**

**COUNTY OF GAINES**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2022**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 33,376,183
Investments	16,560
Inventory	670,137
Total Current Assets	<u>34,062,880</u>
Capital assets:	
Land	488,215
Infrastructure, net	7,911,964
Buildings, net	19,876,489
Machinery and equipment, net	7,961,491
Construction in progress	25,994
<b>Total Assets</b>	<u><u>70,327,033</u></u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Lease obligation payable-current portion	54,013
Total Current Liabilities	<u>54,013</u>
Noncurrent Liabilities:	
Lease obligation payable-noncurrent portion	43,682
<b>Total Liabilities</b>	<u>97,695</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	36,166,458
Unrestricted	<u>34,062,880</u>
<b>Net Position</b>	<u><u>\$ 70,229,338</u></u>

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



# COUNTY OF GAINES

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental
Governmental Activities:					
General administration	\$ 1,810,797	\$ 27,796	\$ 2,106,531	\$ 70,873	\$ 394,403
Judicial	2,079,827	505,541	162,038	-	(1,412,248)
Elections	250,613	8,595	-	-	(242,018)
Financial administration	696,962	-	-	-	(696,962)
Tax administration	677,450	264,927	-	-	(412,523)
Facilities management	2,104,702	-	-	-	(2,104,702)
Law enforcement	2,225,771	32,747	22,181	-	(2,170,843)
Fire protection	703,134	-	-	90,000	(613,134)
Corrections	3,240,444	105,984	-	-	(3,134,460)
Civil defense	90,114	-	-	-	(90,114)
Road and bridge	8,205,508	698,228	1,953,819	-	(5,553,461)
Sanitation	22,519	-	-	-	(22,519)
Airport	109,031	31,279	45,369	-	(32,383)
Health	791,524	-	-	-	(791,524)
Human services	77,443	-	-	-	(77,443)
Golf course	975,509	381,577	-	-	(593,932)
Parks	559,989	84,012	-	-	(475,977)
Museums	154,096	10	-	-	(154,086)
County extension	194,129	-	202,385	-	8,256
Libraries	454,133	18,387	-	-	(435,746)
Senior citizens	315,136	-	7,000	-	(308,136)
Total Primary Government	<u>\$ 25,738,831</u>	<u>\$ 2,159,083</u>	<u>\$ 4,499,323</u>	<u>\$ 160,873</u>	<u>\$ (18,919,552)</u>
General Revenues:					
Property taxes					\$ 19,483,272
Interest income					255,863
Miscellaneous income					1,030,926
Gain on sale of assets					253,009
Total General Revenues					<u>21,023,070</u>
Changes in Net Position					2,103,518
Net Position - Beginning					68,125,820
Net Position - Ending					<u>\$ 70,229,338</u>

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

**COUNTY OF GAINES**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2022**

	General Fund	Road & Bridge Fund	Precinct #1	Precinct #2
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 6,509,387	\$ 64,563	\$ 4,077,605	\$ 3,585,178
Investments	16,560	-	-	-
Inventory	-	-	253,595	109,754
	<u>-</u>	<u>-</u>	<u>253,595</u>	<u>109,754</u>
Total Assets	<u>\$ 6,525,947</u>	<u>\$ 64,563</u>	<u>\$ 4,331,200</u>	<u>\$ 3,694,932</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Fund Balances:				
Non-Spendable:				
Inventory	\$ -	\$ -	\$ 253,595	\$ 109,754
Assigned:				
Road and bridge	-	64,563	4,077,605	3,585,178
Capital projects	-	-	-	-
Special revenue funds	-	-	-	-
Unassigned:	6,525,947	-	-	-
Total Fund Balances	<u>6,525,947</u>	<u>64,563</u>	<u>4,331,200</u>	<u>3,694,932</u>
Total Liabilities and Fund Balances	<u>\$ 6,525,947</u>	<u>\$ 64,563</u>	<u>\$ 4,331,200</u>	<u>\$ 3,694,932</u>

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



Precinct #3	Precinct #4	Farm to Market Fund	American Rescue Plan Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,283,062	\$ 2,277,103	\$ -	\$ 3,786,602	\$ 6,876,599	\$ 2,916,084	\$ 33,376,183
-	-	-	-	-	-	16,560
68,981	237,807	-	-	-	-	670,137
<u>\$ 3,352,043</u>	<u>\$ 2,514,910</u>	<u>\$ -</u>	<u>\$ 3,786,602</u>	<u>\$ 6,876,599</u>	<u>\$ 2,916,084</u>	<u>\$ 34,062,880</u>

\$ 68,981	\$ 237,807	\$ -	\$ -	\$ -	\$ -	\$ 670,137
3,283,062	2,277,103	-	-	-	-	13,287,511
-	-	-	-	6,876,599	-	6,876,599
-	-	-	3,786,602	-	2,916,084	6,702,686
-	-	-	-	-	-	6,525,947
<u>3,352,043</u>	<u>2,514,910</u>	<u>-</u>	<u>3,786,602</u>	<u>6,876,599</u>	<u>2,916,084</u>	<u>34,062,880</u>
<u>\$ 3,352,043</u>	<u>\$ 2,514,910</u>	<u>\$ -</u>	<u>\$ 3,786,602</u>	<u>\$ 6,876,599</u>	<u>\$ 2,916,084</u>	<u>\$ 34,062,880</u>

**COUNTY OF GAINES**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET - MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2022**

**Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities:**

Governmental Fund Balances	\$ 34,062,880
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,264,153
Long-term liabilities, including capital lease obligations are not due and payable in the current period and therefore are not reported in the funds.	<u>(97,695)</u>
Net Position of Governmental Activities	<u>\$ 70,229,338</u>

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



# COUNTY OF GAINES

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Road & Bridge Fund	Precinct #1	Precinct #2
<b><u>REVENUES</u></b>				
Property taxes	\$ 13,729,452	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	70,874	-	329,096	216,571
Charges for services	812,484	683,511	-	-
Fines	120,921	14,717	-	-
Investment income	180,226	-	-	-
Contributions/donations from private sources	-	-	-	-
Miscellaneous revenue	20,658	-	28	-
Total Revenues	<u>14,934,615</u>	<u>698,228</u>	<u>329,124</u>	<u>216,571</u>
<b><u>EXPENDITURES</u></b>				
General administration	1,318,714	-	-	-
Judicial	1,925,887	-	-	-
Elections	195,540	-	-	-
Financial administration	696,962	-	-	-
Tax administration	677,450	-	-	-
Facilities management	1,797,615	-	-	-
Public safety:				
Law enforcement	2,022,604	-	-	-
Fire protection	471,992	-	-	-
Corrections	2,985,119	-	-	-
Civil defense	90,114	-	-	-
Road and bridge	-	47,897	1,465,766	1,461,164
Sanitation	22,519	-	-	-
Airport	-	-	-	-
Health	763,736	-	-	-
Human services	77,443	-	-	-
Culture and recreation:				
Golf course	-	-	-	-
Parks	365,540	-	-	-
Museums	154,096	-	-	-
County extension	180,814	-	-	-
Libraries	396,336	-	-	-
Senior citizens	312,486	-	-	-
Principal on long-term debt	-	-	-	-
Interest on long-term debt	-	-	-	-
Capital outlay	109,276	-	148,450	-
Total Expenditures	<u>14,564,243</u>	<u>47,897</u>	<u>1,614,216</u>	<u>1,461,164</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of real and personal property	293,800	-	-	5,110
Transfers in (out)	(606,240)	(650,331)	1,659,004	1,619,088
Total Other Financing Sources (Uses)	<u>(312,440)</u>	<u>(650,331)</u>	<u>1,659,004</u>	<u>1,624,198</u>
Net Change in Fund Balance	57,932	-	373,912	379,605
Fund Balances - Beginning	6,468,015	64,563	3,957,288	3,315,327
Fund Balances - Ending	<u>\$ 6,525,947</u>	<u>\$ 64,563</u>	<u>\$ 4,331,200</u>	<u>\$ 3,694,932</u>

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

Precinct #3	Precinct #4	Farm to Market Fund	American Rescue Plan Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,753,820	\$ -	\$ -	\$ -	\$ 19,483,272
628,100	742,762	37,289	2,096,166	-	290,704	4,411,562
-	-	-	-	-	523,979	2,019,974
-	-	-	-	-	3,470	139,108
-	-	75,499	-	-	138	255,863
-	-	-	-	-	248,634	248,634
275	2,084	-	-	44,286	963,595	1,030,926
628,375	744,846	5,866,608	2,096,166	44,286	2,030,520	27,589,339
-	-	-	71,306	5,382	39,404	1,434,806
-	-	-	-	-	152,598	2,078,485
-	-	-	-	-	10,540	206,080
-	-	-	-	-	-	696,962
-	-	-	-	-	-	677,450
-	-	-	-	-	276,553	2,074,168
-	-	-	-	-	2,885	2,025,489
-	-	-	-	-	231,142	703,134
-	-	-	-	-	-	2,985,119
-	-	-	-	-	-	90,114
2,007,412	1,560,095	-	-	-	-	6,542,334
-	-	-	-	-	-	22,519
-	-	-	-	-	79,825	79,825
-	-	-	-	-	27,788	791,524
-	-	-	-	-	-	77,443
-	-	-	-	-	812,773	812,773
-	-	-	-	-	20,884	386,424
-	-	-	-	-	-	154,096
-	-	-	-	-	-	180,814
-	-	-	-	-	3,140	399,476
-	-	-	-	-	-	312,486
-	-	-	-	-	52,054	52,054
-	-	-	-	-	5,636	5,636
88,896	218,356	-	247,431	57,155	335,751	1,205,315
2,096,308	1,778,451	-	318,737	62,537	2,050,973	23,994,526
43	-	-	-	-	348,360	647,313
1,734,633	1,504,214	(5,866,608)	(78,546)	-	684,786	-
1,734,676	1,504,214	(5,866,608)	(78,546)	-	1,033,146	647,313
266,743	470,609	-	1,698,883	(18,251)	1,012,693	4,242,126
3,085,300	2,044,301	-	2,087,719	6,894,850	1,903,391	29,820,754
\$ 3,352,043	\$ 2,514,910	\$ -	\$ 3,786,602	\$ 6,876,599	\$ 2,916,084	\$ 34,062,880

**COUNTY OF GAINES**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2022**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities:**

Net changes in Governmental Fund Balances	\$ 4,242,126
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,205,315
Depreciation expense	(3,001,673)
Net book value of disposed assets	(394,304)
Debt service payments are not reported as expenses in the Statement of Activities	<u>52,054</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,103,518</u></u>

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



**COUNTY OF GAINES**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS -**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2022**

<b><u>ASSETS</u></b>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,578,484
Investments	<u>-</u>
Total Assets	<u>1,578,484</u>
 <b><u>LIABILITIES</u></b>	
Current Liabilities:	
Intergovernmental payable	5,734
Due to others	<u>51,341</u>
Total Liabilities	<u>57,075</u>
 <b><u>NET POSITION</u></b>	
Total Net Position	<u><u>\$ 1,521,409</u></u>

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

**COUNTY OF GAINES**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS -**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2022**

	<u>Agency Funds</u>
<b><u>ADDITIONS</u></b>	
Fees, charges, and other additions	\$ <u>17,158,182</u>
Total Additions	<u>17,158,182</u>
<b><u>DEDUCTIONS</u></b>	
Other expenses	<u>17,023,226</u>
Total Deductions	<u>17,023,226</u>
Change in Fiduciary Net Position	134,956
Net Position-Beginning of the Year	<u>1,386,453</u>
Total Net Position	<u><u>\$ 1,521,409</u></u>

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



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note I.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**A. REPORTING ENTITY**

Gaines County, Texas (the "County"), was created in 1905 by the Texas Legislature. The County operates under the authority of the Commissioners' Court and provides the following services: Law Enforcement, Judicial, Health, Safety, Welfare, Culture, Road & Bridge Maintenance and General Administrative Services. The Commissioners' Court (the "Court") consists of four County Commissioners and the County Judge who are elected by the public. The Court has the primary accountability for fiscal matters.

**B. BASIS OF PRESENTATION**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. They report information in all of Gaines County, Texas with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, intergovernmental revenues, and other non-exchange revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

The General Fund-The General Fund is the County's primary operating fund and is always classified as a major fund. It accounts for all financial resources except those required to be accounted for in another fund. This fund is operated and maintained separately by the Commissioners' Court decision. There are not any outside requirements for the self-imposed separation, and the funds can be used for general County operations.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION (CONTINUED)**

**Governmental Funds (Continued)**

Other Major Governmental Funds-The Road & Bridge Fund is designated to receive the road and bridge taxes. A portion of these monies is expended in the fund, but the bulk (99%) is transferred to the four precinct funds. All of the precincts' funds have been presented as major funds to obtain a more meaningful presentation. The Farm to Market Fund, American Rescue Plan Fund, and Capital Projects Fund are also major special revenue funds.

Special Revenue Funds-The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor. Most of the County's special revenue funds are not from grants but simply have restrictions on their use.

**Fiduciary Funds**

Agency Funds-The County accounts for resources held for others in a custodial capacity in agency funds. The County's agency funds are the County Attorney's funds, Sheriff's funds, Justice of the Peace's funds, County Clerk's funds, Tax Assessor Collector's funds, District Clerk's funds, Golf Course fund, State Fee fund, Appellate Judicial fund, County Wide Equalization fund, Employee Flexible Spending fund, Employee Insurance fund and the Probation funds.

**Proprietary Funds**

The County has no proprietary funds currently.

**Implementation of New Standard**

In the current fiscal year, the County implemented guidance contained in Governmental Accounting Standard Board Statement No. 87, *Leases* as it relates to leases by governments. The focus of the criteria is on the treatment of leases reporting in the government-wide financial statements.

As the financial statements are presented on a modified-cash basis, the financial statements have not been adjusted for implementation of this new standard. See related note disclosures on pages 32 and 33.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

**MEASUREMENT FOCUS**

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined on page 23.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

- a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position. The County currently has no proprietary funds.

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions 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 this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**D. ASSETS, LIABILITIES, AND EQUITY**

**CASH AND CASH EQUIVALENTS**

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts or investments if they are in bank money market accounts, certificates of deposits maturing within 90 days or money market investment pools.

**DUE FROM (TO) OTHER FUNDS**

Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which transactions are executed. See Note III, C for additional discussion of interfund receivables, payables and transfers.

**CONSUMABLE MATERIAL AND SUPPLIES/INVENTORY**

Inventories consist of consumable materials and supplies held for future consumption. Inventory is accounted for under the purchases method. The cost is recorded as an expenditure at the time inventory is purchased. Quantities on hand at year-end are recorded at cost on a first-in, first-out basis with an offsetting nonspendable fund balance.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**CAPITAL ASSETS**

The County's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over infrastructure, land, buildings, furniture and equipment, depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation on all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided on the assets' estimated useful lives using the straight-line method of depreciation. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Roads	40
Buildings	40-50
Building Improvements	15-25
Vehicles	5-10
Other Equipment	5-10

**Fund Financial Statements**

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**EQUITY CLASSIFICATION**

**Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The County has no restricted net position.
- c. Unrestricted net position—Consists of all other net position that does not meet the definition of restricted or net investment in capital assets.



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Fund Financial Statements**

The Commissioner's Court meets regularly to manage and review cash financial activities and to ensure compliance with established policies. It is the County's policy to keep adequate fund balance to provide a stable financial foundation. The target level for the County's unassigned General Fund balance is set at 120 days of the budgeted General Fund expenditures, considering the annual budget, as amended, for any given fiscal year. Any shortfalls or excess fund balance shall be considered and remedied as set forth in the policy by the Commissioner's Court.

In accordance with GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

- a. Nonspendable fund balance—Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories.
- b. Restricted fund balance—Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).
- c. Committed fund balance—Includes amounts designated only by formal action of Commissioners Court.
- d. Assigned fund balance—Includes amounts that are constrained by the County's intent to use for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be determined by the County Judge, with assistance of the County Auditor and County Attorney, as needed. The Governmental Funds Balance Sheet provides details of the amounts that have been assigned for specific purposes.
- e. Unassigned fund balance—This is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**E. REVENUES, EXPENDITURES, AND EXPENSES**

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the County's taxpayers are reported as program revenues. The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the County such as vehicle registrations.



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)**

The "grants and contributions" columns includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function.

If a revenue is not program revenue, it is general revenue used to support all the County's functions. Taxes are always general revenues.

The Fund financial statements provide reports on the financial condition and results of operations for three fund categories-governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Grants and similar items are recognized as revenue when collected and all eligibility requirements imposed by the provider have been met.

**F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**FUND FINANCIAL STATEMENTS**

Interfund activity, if any, within and among the governmental category is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statement as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount between governmental and business-type activities, which are reported as Transfers—Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. USE OF ESTIMATES**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY COMPLIANCE**

The Commissioners' Court adopts an "appropriated budget" for the General Fund and all other funds. The adopted and final amended budgeted revenues and expenditures for the General Fund are presented in the Other Supplementary Information.

The following procedures are used in establishing the budgetary data reflected in the general-purpose financial statements:

- a. In July, the County Judge, with the assistance of the County Auditor, prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is filed with the County Clerk and is open to public inspection. The Commissioners' Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
- c. Prior to October 1, the budget is legally enacted through passage of a resolution by the Commissioners' Court. Once a budget is approved, it can only be amended at the department and fund level by approval of a majority of the members of the Commissioners' Court. The law requires that such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court and are not made after fiscal year end. The County had several routine budget amendments during the year. The largest amendments were mainly to purchase capital items, and to fund miscellaneous projects throughout the County.
- d. Each budget is controlled at the revenue and expenditure function level in accordance with Texas statutory guidance. The County Auditor audits and approves legal expenditures. The Commissioners' Court audits and settles claims against the County but can spend money only in accordance with the adopted budget. The Treasurer disburses money after ordered by the Court if the expenditure is in accordance with Texas statutes. All budget appropriations lapse at year end.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had planned deficit spending as reflected by budgeted expenditures in excess of expected revenue:

General Fund	\$ 781,499
Precinct #1 Fund	500,000
Precinct #2 Fund	500,000
Precinct #3 Fund	510,000
Precinct #4 Fund	500,000
(RPF) County Clerk Fund	80
911 Addressing Fund	6,175
Judicial Supplement Fund	2
Higginbotham Community Center Fund	20,556
Seagraves Walking Park Fund	799
(RAF) Record Archive Fund	40,141
Unclaimed Capital Credits Fund	14,869
American Rescue Plan Fund	397,274
Capital Projects Fund	769,995
Texas Vine Grant Fund	2,242

**III. NOTES ON FUNDS AND ACCOUNTS**

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits (cash and savings accounts)-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 banks place 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 banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The County's depository during the year was Commercial State Bank. There were no instances of uninsured or uncollateralized deposits during the year.

At September 30, 2022, the carrying amount of the County's deposits (cash, certificates of deposits and interest-bearing savings accounts) was \$11,998,655, and the bank balance was \$12,938,970. The County's cash deposits as of September 30, 2022 were fully covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

A Summary of the County's cash and cash equivalents and investments at September 30, 2022 is shown below:

	Checking and Savings Accounts	Certificate of Deposit	Investment Pools	Total
General	\$ 2,489,319	\$ 4,036,628	\$ -	\$ 6,525,947
Road & Bridge	-	-	64,563	64,563
Precinct #1	-	-	4,077,605	4,077,605
Precinct #2	-	-	3,585,178	3,585,178
Precinct #3	-	-	3,283,062	3,283,062
Precinct #4	-	-	2,277,103	2,277,103
American Rescue Plan	3,786,602	-	-	3,786,602
Capital Projects Fund	-	-	6,876,599	6,876,599
Other Governmental Funds	107,622	-	2,808,462	2,916,084
Total Governmental Funds	\$ 6,383,543	\$ 4,036,628	\$ 22,972,572	\$ 33,392,743
Agency Funds	1,283,418	295,066	-	1,578,484
Total	\$ 7,666,961	\$ 4,331,694	\$ 22,972,572	\$ 34,971,227

Legal and Contractual Provisions Governing Investments

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

The County's investments at September 30, 2022, are shown below:

Investment Type	Fair Value	Yield
Certificate of Deposit-		
Commercial State Bank	\$ 311,626	.10%-.40%
First United Bank	2,011,829	1.28%
West Texas National	2,008,239	0.55%
Texas Class Investment Pool	10,001,715	2.68%
Tex Pool Investment Pool	6,486,384	2.35%
Tex Star Investment Pool	6,484,473	2.29%
Total	\$ 27,304,266	



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

The County's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless there is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is a pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Policies Governing Deposits and Investments

**Interest Rate Risk**-Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The County invests in certificates of deposit and securities with short-term maturity dates to limit the interest rate risk.

**Custodial Credit Risk for Deposits** (cash, savings account and certificates of deposit)-This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that all deposits must be insured by FDIC or secured by another manner provided by law.

**Custodial Credit Risk for Investments**-To limit the risk that an issuer or other counter-party to an investment will not fulfill its obligations, the County limits investments to certificates of deposit and public funds investment pools.

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act). In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; (3) maintain market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The public fund investment pool invests only in securities issued or backed by the U.S. Government or its agencies. An investment in these securities is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the security. At September 30, 2022, the County had approximately \$10,001,715 uninsured with Texas Class Investment Pool, \$6,486,384 uninsured with Tex Pool Investment Pool, and \$6,484,473 uninsured with Tex Star Investment Pool.

**B. PROPERTY TAXES**

In accordance with State Law, The Gaines County Appraisal District makes all appraisals for tax purposes. Assessed values are based upon 100 percent of market value and reviewed every three years. Taxpayers have the right to challenge the assessed value.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are not considered available in the funds until the County collects them.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**B. PROPERTY TAXES (CONTINUED)**

The tax rate for the fiscal year ended September 30, 2022, (2021 tax levy) was \$.427 per \$100 assessed value for County General Fund operations and \$.179 for Farm-Market Lateral Road maintenance and operations for a total rate of \$.606. The County is subject to tax rate rollback if the total amount of the property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the prior year by 8 percent.

**C. INTERFUND BALANCES AND TRANSFERS**

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Road and Bridge and the Farm to Market funds were to the corresponding precinct funds for precinct operations. Transfers from the Special Revenue Funds of CARES Act and indigent defense grants funds to the General Fund were for expense reimbursements. Transfers from the General Fund were for operations of the Special Revenue Fund for indigent health care, airport operations, cemetery maintenance, future fire truck funding, and golf course operations.

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 557,675	\$ -	\$ (69,460)	\$ 488,215
Infrastructure	19,230,473	-	-	19,230,473
Buildings and Improvements	36,153,666	212,722	(1,236,780)	35,129,608
Furniture and Equipment	22,786,007	1,079,957	(626,343)	23,239,621
Construction in Progress	-	25,994	-	25,994
Totals at Historic Cost	<u>\$ 78,727,821</u>	<u>\$ 1,318,673</u>	<u>\$ (1,932,583)</u>	<u>\$ 78,113,911</u>
Less Accumulated Depreciation for:				
Infrastructure	\$ (10,859,783)	\$ (458,726)	\$ -	\$ (11,318,509)
Buildings and Improvements	(15,542,068)	(855,965)	1,144,914	(15,253,119)
Furniture and Equipment	(13,871,155)	(1,686,982)	280,007	(15,278,130)
Total Accumulated Depreciation	<u>\$ (40,273,006)</u>	<u>\$ (3,001,673)</u>	<u>\$ 1,424,921</u>	<u>\$ (41,849,758)</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,454,815</u>	<u>\$ (1,683,000)</u>	<u>\$ (507,662)</u>	<u>\$ 36,264,153</u>



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**D. CAPITAL ASSET ACTIVITY (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 375,991
Justice System	1,342
Elections	44,533
Facilities Management	30,534
Law Enforcement	200,282
Corrections	255,325
Roads and Bridges	1,663,173
Airport	29,206
Golf Course	157,100
Parks	173,565
County Extension Service	13,315
Libraries	54,657
Senior Citizens	2,650
Total Depreciation Expense	<u>\$ 3,001,673</u>

**E. COMMITMENTS-LEASES**

On April 17, 2019, the County entered a 60-month lease as Lessee for the use of a Pitney Bowes postage machine. The initial lease liability related to this lease was \$20,538. As of September 30, 2022, the value of the lease liability is \$12,345. The County is required to make quarterly fixed payments of \$2,065. The lease has an interest rate of .408%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$20,538, with accumulated amortization of \$8,125.

On November 13, 2019, the County entered a 48-month lease as Lessee for the use of a Canon copier machine. The initial lease liability related to this lease was \$1,164. As of September 30, 2022, the value of the lease liability is \$653. The County is required to make monthly fixed payments of \$79. The lease has an interest rate of .328%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$1,164, with accumulated amortization of \$550.

On December 19, 2019, the County entered a 48-month lease as Lessee for the use of information technology equipment. The initial lease liability related to this lease was \$149,742. As of September 30, 2022, the value of the lease liability is \$80,756. The County is required to make monthly fixed payments of \$5,780. The lease has an interest rate of .328%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$149,745, with accumulated amortization of \$68,584.

On January 23, 2020, the County entered a 48-month lease as Lessee for the use of a Canon copier machine. The initial lease liability related to this lease was \$2,949. As of September 30, 2022, the value of the lease liability is \$1,810. The County is required to make monthly fixed payments of \$145. The lease has an interest rate of .328%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$2,949, with accumulated amortization of \$1,243.

On March 18, 2020, the County entered a 36-month lease as Lessee for the use of IBM financial system equipment. The initial lease liability related to this lease was \$8,819. As of September 30, 2022, the value of the lease liability is \$3,117. The County is required to make monthly fixed payments of \$520. The lease has an interest rate of .263%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$8,819, with accumulated amortization of \$6,047.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**E. COMMITMENTS-LEASES (CONTINUED)**

On October 1, 2021, the County entered a 36-month lease as Lessee for the use of nine Canon copier machines. The initial lease liability related to this lease was \$36,499. As of September 30, 2022, the value of the lease liability is \$25,257. The County is required to make monthly fixed payments of \$1,445. The lease has an interest rate of .408%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$36,499, with accumulated amortization of \$12,131.

On March 1, 2022, the County entered a 48-month lease as Lessee for the use of three Canon copier machines. The initial lease liability related to this lease was \$16,915. As of September 30, 2022, the value of the lease liability is \$15,143. The County is required to make monthly fixed payments of \$527. The lease has an interest rate of .602%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$16,915, with accumulated amortization of \$2,437.

On April, 2022, the County entered a 48-month lease as Lessee for the use of a Canon copier machine. The initial lease liability related to this lease was \$4,165. As of September 30, 2022, the value of the lease liability is \$3,740. The County is required to make monthly fixed payments of \$128. The lease has an interest rate of .602%. The value of the right to use asset associated with this lease as of September 30, 2022 is \$4,165, with accumulated amortization of \$521.

The total right-to-use asset and related accumulated amortization as of September 30, 2022 is as follows:

	Right-to-Use Asset	Accumulated Amortization	Net Amortizable Value
<u>Governmental Activities:</u>			
Copier Machines	\$ 53,567	\$ 16,882	\$ 36,685
Postage Machine	28,663	8,125	20,538
IT and Financial System	158,564	74,631	83,933
Total Right-To-Use Asset	<u>\$ 240,794</u>	<u>\$ 99,638</u>	<u>\$ 141,156</u>

A schedule of principal maturity and interest for lease obligations as of September 30, 2022 is as follows:

	Principal	Interest	Total
2023	\$ 99,979	\$ 386	\$ 100,365
2024	34,050	108	34,158
2025	5,960	35	5,995
2026	2,832	5	2,837
2027	-	-	-
Total	<u>\$ 142,821</u>	<u>\$ 534</u>	<u>\$ 143,355</u>



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**F. LONG-TERM OBLIGATIONS**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Capital leases	\$ 149,749	\$ -	\$ 52,054	\$ 97,695	\$ 54,013

Commitments under capitalized lease agreements for equipment provide for minimum future rental payments as of September 30, 2022, as follows:

2023	\$ 54,013
2024	43,682
Total Minimum Rentals	<u>\$ 97,695</u>

**IV. OTHER NOTES**

**A. HEALTH CARE COVERAGE**

During the current fiscal year, the employees of Gaines County were covered by a health insurance plan. The coverage is purchased through Blue Cross Blue Shield. The County's cost per employee per month was \$895. The employees, at their option, authorized payroll withholdings to pay contributions for dependents.

**B. CAFETERIA PLAN**

The County entered into a Pre-Tax Premium Plan that qualifies as a "cafeteria plan." The insurance premiums that qualify for the plan are medical, life and accidental death and dismemberment. The individuals who are eligible to participate are all employees who are covered or who are eligible to be covered under the County's group health plan.



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS**

The County provides two separate retirement benefit plans. One plan is the defined benefit plan that is provided through the Texas County and District Retirement System. The County also offers a deferred compensation plan to its employees.

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PLAN**

**Plan Description.** Gaines County, Texas provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting 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, P.O. Box 2034, Austin, Texas 78768-0234.

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 can retire at ages 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 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

**Funding Policy.** The employer 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It varied from 6.35% to 8.32% for the year ending September 30, 2022. The deposit rate payable by the employee members is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Actuarial Assumptions.** All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2021 funding valuation, except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2021 for further details.

Following are the key assumptions and methods used in this GASB analysis.

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal <sup>(1)</sup>
<b>Amortization Method</b>	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	Same as funding valuation: See Appendix C of TCDRS report.
<b>Salary Increases</b>	Same as funding valuation: See Appendix C of TCDRS report.
<b>Investment Rate of Return</b>	7.50% (Gross of administrative expenses)
<b>Cost-of-Living Adjustments</b>	Cost-of-Living Adjustments for County of Gaines are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Same as funding valuation: See Appendix C of TCDRS report.
<b>Turnover</b>	Same as funding valuation: See Appendix C of TCDRS report.
<b>Mortality</b>	Same as funding valuation: See Appendix C of TCDRS report.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

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

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set 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. Milliman relies on the expertise of Cliffwater in this assessment.

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation<sup>(1)</sup></b>	<b>Geometric Real Rate of Return (Expected Inflation)<sup>(2)</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup>	25.00%	6.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-.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 <sup>(3)</sup>	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.10%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%

<sup>(1)</sup> Target asset allocation adopted at the March 2021 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation of 2.60%, per Cliffwater's 2022 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Depletion of Plan Assets/GASB Discount Rate.** The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

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

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Depletion of Plan Assets/GASB Discount Rate (Continued).** Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

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

**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 of Gaines 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.

	<b>1% Decrease 6.60%</b>	<b>Current Discount Rate 7.60%</b>	<b>1% Increase 8.60%</b>
Total pension liability	\$50,896,428	\$45,399,940	\$40,743,411
Fiduciary net position	52,807,045	52,807,045	52,807,045
Net pension liability/(asset)	<u>(\$1,910,617)</u>	<u>(\$7,407,105)</u>	<u>(\$12,063,634)</u>



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Changes in Net Pension Liability/(Asset).** The following presents the increases/(decreases) in net pension liability/(asset):

Changes in Net Pension Liability/ (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances as of December 31, 2020	\$43,601,832	\$44,495,923	(\$894,091)
Changes for the year:			
Service cost	1,216,982	0	1,216,982
Interest on total pension liability <sup>(1)</sup>	3,315,358	0	3,315,358
Effect of plan changes	0	0	0
Effect of economic/demographic losses	31,952	0	31,952
Effect of assumptions changes or inputs	(330,202)	0	(330,202)
Refund of contributions	(79,099)	(79,099)	0
Benefit payments	(2,356,883)	(2,356,883)	0
Administrative expenses	0	(28,569)	28,569
Member contributions	0	614,048	(614,048)
Net investment income	0	9,628,179	(9,628,179)
Employer contributions	0	557,028	(557,028)
Other <sup>(2)</sup>	0	(23,582)	23,582
Balances as of December 31, 2021	\$45,399,940	\$52,807,045	(\$7,407,105)

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Breakdown of Pension Expense.** The following presents the components of pension expense:

<b>Pension Expense/(Income)</b>	<b>January 1, 2021 to December 31, 2021</b>
Service cost	\$1,216,982
Interest on total pension liability <sup>(1)</sup>	3,315,358
Effect of plan changes	0
Administrative expenses	28,569
Member contributions	(614,048)
Expected investment return net of investment expenses	(3,332,558)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(38,320)
Recognition of assumption changes or inputs	433,625
Recognition of investment gains or losses	(1,764,522)
Other <sup>(2)</sup>	23,582
Pension expense/(income)	(\$731,331)

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

**Deferred Inflows/Outflows of Resources.** As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows/Outflows of Resources:</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$300,962	\$164,406
Changes in assumptions	264,162	1,370,504
Net difference between projected and actual earnings	6,098,927	0
Contributions subsequent to measurement date <sup>(3)</sup>	N/A	549,977

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

Year ended December 31:	
2022	(\$945,291)
2023	(1,708,596)
2024	(1,156,479)
2025	(1,318,775)
2026	0
Thereafter <sup>(4)</sup>	0

<sup>(3)</sup> If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year-end, the employer should reflect these contributions, adjusted as outlined in Appendix D of the TCDRS report.

<sup>(4)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**IV. OTHER NOTES (CONTINUED)**

**C. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Schedule of Deferred Inflows and Outflows of Resources.** The following presents the components of deferred inflows and outflows of resources:

	Original Amount	Date Established	Original Recognition Period <sup>(1)</sup>	Amount Recognized in 12/31/2021 Expense <sup>(1)</sup>	Balance of Deferred Inflows 12/31/2021	Balance of Deferred Outflows 12/31/2021
Investment (gains) or losses	\$ (6,295,621)	12/31/2021	5.0	\$(1,259,124)	\$5,036,497	\$0
	(971,077)	12/31/2020	5.0	(194,215)	582,647	0
	(3,086,597)	12/31/2019	5.0	(617,319)	1,234,640	0
	3,774,285	12/31/2018	5.0	754,857	0	754,857
	(2,243,608)	12/31/2017	5.0	(448,720)	0	0
Economic/demographic (gains) or losses	31,952	12/31/2021	5.0	6,390	0	25,562
	(501,602)	12/31/2020	5.0	(100,320)	300,962	0
	326,003	12/31/2019	5.0	65,201	0	130,400
	42,224	12/31/2018	5.0	8,445	0	8,444
	(90,184)	12/31/2017	5.0	(18,036)	0	0
Assumption changes or inputs	(330,202)	12/31/2021	5.0	(66,040)	264,162	0
	2,284,174	12/31/2020	5.0	456,835	0	1,370,504
	0	12/31/2019	5.0	0	0	0
	0	12/31/2018	5.0	0	0	0
	214,150	12/31/2017	5.0	42,830	0	0
Employer contributions made subsequent to measurement date	N/A	12/31/2021	N/A	N/A	N/A	\$549,977
	N/A	12/31/2020	N/A	409,325	N/A	0
	N/A	12/31/2019	N/A	N/A	N/A	0
	N/A	12/31/2018	N/A	N/A	N/A	0
	N/A	12/31/2017	N/A	N/A	N/A	0

<sup>(1)</sup> Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

**DEFERRED COMPENSATION PLAN**

The County offers a deferred compensation plan for employees who elect to participate. In a plan set up under Section 457 of the Internal Revenue Code, Participants may defer up to \$20,500 per year. Withdrawals are permitted because of death, emergency as defined by the Internal Revenue Service, termination of employment or retirement. The County does not contribute to the plan, and all assets in the plan belong to the employees.



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**IV. OTHER NOTES (CONTINUED)**

**D. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2022, the County purchased commercial insurance to cover these risks. 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.

**E. JOINT VENTURE ARRANGEMENTS**

The County is involved in joint ventures with the City of Seminole, Northeast Gaines County Emergency Service District and South Plains Public Health District. These shared costs are for fire protection, landfill operations, emergency medical service, and public health services. Many of these agreements result in the County paying approximately half of the budget, but significant accumulations of financial resources or deficits are not generated from these joint ventures.

**F. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 13, 2023, the date the financial statements were issued.



## OTHER SUPPLEMENTARY INFORMATION

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Taxes-property	\$ 13,430,000	\$ 13,430,000	\$ 13,729,452	\$ 299,452
Intergovernmental revenues and grants	-	-	70,874	70,874
Charges for services	755,905	755,905	812,484	56,579
Fines	235,315	235,315	120,921	(114,394)
Investment income	175,000	175,000	180,226	5,226
Miscellaneous revenue	37,320	37,340	20,658	(16,682)
<i>Total receipts</i>	<u>14,633,540</u>	<u>14,633,560</u>	<u>14,934,615</u>	<u>301,055</u>
<b>DISBURSEMENTS:</b>				
Current:				
General administrative	1,752,532	1,613,737	1,318,714	295,023
Judicial	1,851,020	1,780,364	1,925,887	(145,523)
Elections	178,624	195,805	195,540	265
Financial administration	752,815	752,815	696,962	55,853
Tax administration	686,380	686,380	677,450	8,930
Facilities management	1,572,080	1,747,482	1,797,615	(50,133)
Public safety:				
Law enforcement	1,793,966	2,030,338	2,022,604	7,734
Fire protection	528,047	528,047	471,992	56,055
Corrections	2,510,153	2,985,820	2,985,119	701
Civil defense	89,775	90,125	90,114	11
Sanitation	22,519	22,519	22,519	-
Health	762,759	766,259	763,736	2,523
Human services	78,621	78,621	77,443	1,178
Culture and recreation:				
Parks	178,500	195,105	365,540	(170,435)
Museums	153,571	154,571	154,096	475
County extension	187,026	187,026	180,814	6,212
Libraries	409,461	408,461	396,336	12,125
Senior citizens	307,553	328,382	312,486	15,896
Capital Outlay	135	45,199	109,276	(64,077)
<i>Total disbursements</i>	<u>13,815,537</u>	<u>14,597,056</u>	<u>14,564,243</u>	<u>32,813</u>
Excess (deficiency) of receipts over (under) disbursements	<u>818,003</u>	<u>36,504</u>	<u>370,372</u>	<u>333,868</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	1,000	1,000	293,800	292,800
Transfers in (out)	(819,003)	(819,003)	(606,240)	212,763
<i>Total other financing sources (uses)</i>	<u>(818,003)</u>	<u>(818,003)</u>	<u>(312,440)</u>	<u>505,563</u>
Net change in fund balance	-	(781,499)	57,932	839,431
<i>Fund balance, beginning of year</i>	<u>6,468,015</u>	<u>6,468,015</u>	<u>6,468,015</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 6,468,015</u>	<u>\$ 5,686,516</u>	<u>\$ 6,525,947</u>	<u>\$ 839,431</u>

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ROAD & BRIDGE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
RECEIPTS:				
Charges for services	\$ 421,745	\$ 683,516	\$ 683,511	\$ (5)
Fines	105,000	105,000	14,717	(90,283)
<i>Total receipts</i>	<u>526,745</u>	<u>788,516</u>	<u>698,228</u>	<u>(90,288)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	64,563	64,563	47,897	16,666
<i>Total disbursements</i>	<u>64,563</u>	<u>64,563</u>	<u>47,897</u>	<u>16,666</u>
Excess (deficiency) of receipts over (under) disbursements	<u>462,182</u>	<u>723,953</u>	<u>650,331</u>	<u>(73,622)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(462,182)	(650,331)	(650,331)	-
<i>Total other financing sources (uses)</i>	<u>(462,182)</u>	<u>(650,331)</u>	<u>(650,331)</u>	<u>-</u>
Net change in fund balance	-	73,622	-	(73,622)
<b>Fund balance, beginning of year</b>	<u>64,563</u>	<u>64,563</u>	<u>64,563</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 64,563</u>	<u>\$ 138,185</u>	<u>\$ 64,563</u>	<u>\$ (73,622)</u>



**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**PRECINCT #1**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Intergovernmental revenue and grants	\$ 5	\$ 5	\$ 329,096	\$ 329,091
Miscellaneous	5	5	28	23
<i>Total receipts</i>	<u>10</u>	<u>10</u>	<u>329,124</u>	<u>329,114</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	1,887,312	1,887,312	1,465,766	421,546
Capital outlay	51,180	51,180	148,450	(97,270)
<i>Total disbursements</i>	<u>1,938,492</u>	<u>1,938,492</u>	<u>1,614,216</u>	<u>324,276</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,938,482)</u>	<u>(1,938,482)</u>	<u>(1,285,092)</u>	<u>653,390</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	-	(5)
Transfers in (out)	1,438,477	1,438,477	1,659,004	220,527
<i>Total other financing sources (uses)</i>	<u>1,438,482</u>	<u>1,438,482</u>	<u>1,659,004</u>	<u>220,522</u>
Net change in fund balance	(500,000)	(500,000)	373,912	873,912
<b>Fund balance, beginning of year</b>	<u>3,957,288</u>	<u>3,957,288</u>	<u>3,957,288</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,457,288</u>	<u>\$ 3,457,288</u>	<u>\$ 4,331,200</u>	<u>\$ 873,912</u>

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**PRECINCT #2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Intergovernmental revenue and grants	\$ 5	\$ 5	\$ 216,571	\$ 216,566
Miscellaneous	5	5	-	(5)
<i>Total receipts</i>	<u>10</u>	<u>10</u>	<u>216,571</u>	<u>216,561</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	1,861,629	1,861,629	1,461,164	400,465
Capital outlay	42,269	42,269	-	42,269
<i>Total disbursements</i>	<u>1,903,898</u>	<u>1,903,898</u>	<u>1,461,164</u>	<u>442,734</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,903,888)</u>	<u>(1,903,888)</u>	<u>(1,244,593)</u>	<u>659,295</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	5,110	5,105
Transfers in (out)	1,403,883	1,403,883	1,619,088	215,205
<i>Total other financing sources (uses)</i>	<u>1,403,888</u>	<u>1,403,888</u>	<u>1,624,198</u>	<u>220,310</u>
Net change in fund balance	(500,000)	(500,000)	379,605	879,605
<b>Fund balance, beginning of year</b>	<u>3,315,327</u>	<u>3,315,327</u>	<u>3,315,327</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,815,327</u>	<u>\$ 2,815,327</u>	<u>\$ 3,694,932</u>	<u>\$ 879,605</u>

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**PRECINCT #3**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Intergovernmental revenue and grants	\$ 5	\$ 5	\$ 628,100	\$ 628,095
Miscellaneous	5	5	275	270
<i>Total receipts</i>	<u>10</u>	<u>10</u>	<u>628,375</u>	<u>628,365</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	1,904,095	1,914,095	2,007,412	(93,317)
Capital outlay	100,005	100,005	88,896	11,109
<i>Total disbursements</i>	<u>2,004,100</u>	<u>2,014,100</u>	<u>2,096,308</u>	<u>(82,208)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,004,090)</u>	<u>(2,014,090)</u>	<u>(1,467,933)</u>	<u>546,157</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	43	38
Transfers in (out)	1,504,085	1,504,085	1,734,633	230,548
<i>Total other financing sources (uses)</i>	<u>1,504,090</u>	<u>1,504,090</u>	<u>1,734,676</u>	<u>230,586</u>
Net change in fund balance	(500,000)	(510,000)	266,743	776,743
<b>Fund balance, beginning of year</b>	<u>3,085,300</u>	<u>3,085,300</u>	<u>3,085,300</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,585,300</u>	<u>\$ 2,575,300</u>	<u>\$ 3,352,043</u>	<u>\$ 776,743</u>



**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**PRECINCT #4**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Intergovernmental revenue and grants	\$ 5	\$ 5	\$ 742,762	\$ 742,757
Miscellaneous	5	5	2,084	2,079
<i>Total receipts</i>	<u>10</u>	<u>10</u>	<u>744,846</u>	<u>744,836</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	1,804,283	1,804,283	1,560,095	244,188
Capital outlay	10	10	218,356	(218,346)
<i>Total disbursements</i>	<u>1,804,293</u>	<u>1,804,293</u>	<u>1,778,451</u>	<u>25,842</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,804,283)</u>	<u>(1,804,283)</u>	<u>(1,033,605)</u>	<u>770,678</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	-	(5)
Transfers in (out)	1,304,278	1,304,278	1,504,214	199,936
<i>Total other financing sources (uses)</i>	<u>1,304,283</u>	<u>1,304,283</u>	<u>1,504,214</u>	<u>199,931</u>
Net change in fund balance	(500,000)	(500,000)	470,609	970,609
<b>Fund balance, beginning of year</b>	<u>2,044,301</u>	<u>2,044,301</u>	<u>2,044,301</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,544,301</u>	<u>\$ 1,544,301</u>	<u>\$ 2,514,910</u>	<u>\$ 970,609</u>

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**FARM TO MARKET FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
RECEIPTS:				
Taxes:				
Property Taxes	\$ 5,598,954	\$ 5,753,821	\$ 5,753,820	\$ (1)
Investment income	15,000	75,500	75,499	(1)
Other revenue	36,784	37,289	37,289	-
<i>Total receipts</i>	<u>5,650,738</u>	<u>5,866,610</u>	<u>5,866,608</u>	<u>(2)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(5,650,738)</u>	<u>(5,866,609)</u>	<u>(5,866,608)</u>	<u>1</u>
<i>Total other financing sources (uses)</i>	<u>(5,650,738)</u>	<u>(5,866,609)</u>	<u>(5,866,608)</u>	<u>1</u>
Net change in fund balance	-	1	-	(1)
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**AMERICAN RESCUE PLAN FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Intergovernmental revenue and grants	\$ 35	\$ 35	\$ 2,096,166	\$ 2,096,131
<i>Total receipts</i>	<u>35</u>	<u>35</u>	<u>2,096,166</u>	<u>2,096,131</u>
<b>DISBURSEMENTS:</b>				
Current:				
General government	10	318,743	71,306	247,437
Law Enforcement	20	20	-	20
Capital outlay	-	-	247,431	(247,431)
<i>Total disbursements</i>	<u>30</u>	<u>318,763</u>	<u>318,737</u>	<u>26</u>
Excess (deficiency) of receipts over (under) disbursements	<u>5</u>	<u>(318,728)</u>	<u>1,777,429</u>	<u>2,096,157</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	-	-	-	-
Transfers in (out)	-	(78,546)	(78,546)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(78,546)</u>	<u>(78,546)</u>	<u>-</u>
Net change in fund balance	5	(397,274)	1,698,883	2,096,157
<b>Fund balance, beginning of year</b>	<u>2,087,719</u>	<u>2,087,719</u>	<u>2,087,719</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,087,724</u>	<u>\$ 1,690,445</u>	<u>\$ 3,786,602</u>	<u>\$ 2,096,157</u>



**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Miscellaneous revenue	\$ 10,005	\$ 10,005	\$ 44,286	\$ 34,281
<i>Total receipts</i>	<u>10,005</u>	<u>10,005</u>	<u>44,286</u>	<u>34,281</u>
<b>DISBURSEMENTS:</b>				
Current:				
General government	350,005	350,005	5,382	344,623
Law Enforcement	50,000	50,000	-	50,000
Capital outlay	<u>380,005</u>	<u>380,005</u>	<u>57,155</u>	<u>322,850</u>
<i>Total disbursements</i>	<u>780,010</u>	<u>780,010</u>	<u>62,537</u>	<u>717,473</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(770,005)</u>	<u>(770,005)</u>	<u>(18,251)</u>	<u>751,754</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	-	(5)
Transfers in (out)	<u>5</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
<i>Total other financing sources (uses)</i>	<u>10</u>	<u>10</u>	<u>-</u>	<u>(10)</u>
Net change in fund balance	(769,995)	(769,995)	(18,251)	751,744
<b>Fund balance, beginning of year</b>	<u>6,894,850</u>	<u>6,894,850</u>	<u>6,894,850</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 6,124,855</u>	<u>\$ 6,124,855</u>	<u>\$ 6,876,599</u>	<u>\$ 751,744</u>

**COUNTY OF GAINES**  
**SCHEDULE OF CHANGES IN NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**GASB 68 DISCLOSURE MEASUREMENT DATE DECEMBER 31, 2021**

	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
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ 1,216,982	\$ 1,058,694	\$ 991,267	\$ 992,031	\$ 1,017,799	\$ 1,127,870	\$ 935,599	\$ 919,180
Interest on total pension liability	3,315,358	3,222,768	3,044,232	2,887,629	2,730,748	2,562,845	2,437,789	2,320,034
Changes of benefit terms	0	0	0	0	0	0	(165,778)	0
Economic/demographic (gains) or losses	31,952	(501,602)	326,003	42,224	(90,184)	(265,723)	(324,776)	(227,631)
Change of assumptions	(330,202)	2,284,174	0	0	214,150	0	361,169	0
Benefit payments/refunds of contributions	(2,435,982)	(2,336,049)	(2,117,759)	(1,862,719)	(1,955,350)	(1,683,863)	(1,712,666)	(1,612,645)
<b>Net Change in Total Pension Liability</b>	<b>1,798,108</b>	<b>3,727,985</b>	<b>2,243,743</b>	<b>2,059,165</b>	<b>1,917,163</b>	<b>1,741,129</b>	<b>1,531,337</b>	<b>1,398,938</b>
<b>Total Pension Liability, Beginning</b>	<b>43,601,832</b>	<b>39,873,847</b>	<b>37,630,104</b>	<b>35,570,939</b>	<b>33,653,776</b>	<b>31,912,647</b>	<b>30,381,310</b>	<b>28,982,372</b>
<b>Total Pension Liability, Ending</b>	<b>\$ 45,399,940</b>	<b>\$ 43,601,832</b>	<b>\$ 39,873,847</b>	<b>\$ 37,630,104</b>	<b>\$ 35,570,939</b>	<b>\$ 33,653,776</b>	<b>\$ 31,912,647</b>	<b>\$ 30,381,310</b>
<b>Fiduciary Net Position</b>								
Employer contributions	\$ 557,028	\$ 553,125	\$ 484,481	\$ 476,375	\$ 450,289	\$ 492,558	\$ 3,801,209	\$ 1,763,096
Member contributions	614,048	614,586	589,807	568,083	546,279	554,319	561,451	501,625
Investment income net of investment expenses	9,628,179	4,279,453	6,003,234	(719,631)	4,971,241	2,400,446	186,139	1,895,727
Benefit payments/refunds of contributions	(2,435,982)	(2,336,049)	(2,117,759)	(1,862,719)	(1,955,350)	(1,683,863)	(1,712,666)	(1,612,645)
Administrative expenses	(28,569)	(32,558)	(31,585)	(29,357)	(25,363)	(26,099)	(22,392)	(22,042)
Other	(23,582)	(30,465)	(29,952)	(20,549)	(13,087)	55,271	(201,857)	(255,310)
<b>Net Change in Fiduciary Position</b>	<b>8,311,122</b>	<b>3,048,092</b>	<b>4,898,226</b>	<b>(1,587,798)</b>	<b>3,974,009</b>	<b>1,792,632</b>	<b>2,611,884</b>	<b>2,270,451</b>
<b>Fiduciary Net Position, Beginning</b>	<b>44,495,923</b>	<b>41,447,831</b>	<b>36,549,605</b>	<b>38,137,403</b>	<b>34,163,394</b>	<b>32,370,762</b>	<b>29,758,878</b>	<b>27,488,427</b>
<b>Fiduciary Net Position, Ending</b>	<b>\$ 52,807,045</b>	<b>\$ 44,495,923</b>	<b>\$ 41,447,831</b>	<b>\$ 36,549,605</b>	<b>\$ 38,137,403</b>	<b>\$ 34,163,394</b>	<b>\$ 32,370,762</b>	<b>\$ 29,758,878</b>
<b>Net Pension Liability / (Asset), Ending</b>	<b>\$ (7,407,105)</b>	<b>\$ (894,091)</b>	<b>\$ (1,573,984)</b>	<b>\$ 1,080,499</b>	<b>\$ (2,566,464)</b>	<b>\$ (509,618)</b>	<b>\$ (458,115)</b>	<b>\$ 622,432</b>
<b>Fiduciary Net Position as a % of total pension liability</b>	<b>116.32%</b>	<b>102.05%</b>	<b>103.95%</b>	<b>97.13%</b>	<b>107.22%</b>	<b>101.51%</b>	<b>101.44%</b>	<b>97.95%</b>
<b>Pensionable Covered Payroll</b>	<b>\$ 8,772,119</b>	<b>\$ 8,779,805</b>	<b>\$ 8,425,808</b>	<b>\$ 8,115,465</b>	<b>\$ 7,803,987</b>	<b>\$ 7,918,843</b>	<b>\$ 8,020,732</b>	<b>\$ 7,166,066</b>
<b>Net Pension Liability as a % of covered payroll</b>	<b>-84.44%</b>	<b>-10.18%</b>	<b>-18.68%</b>	<b>13.31%</b>	<b>-32.89%</b>	<b>-6.44%</b>	<b>-5.71%</b>	<b>8.69%</b>

This schedule is presented to illustrate the requirement to show information for 10 years. Recalculations of prior years are not required in accordance with GASB 68, therefore, only the years for which the new GASB statements have been implemented are shown.

**COUNTY OF GAINES**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**GASB 68 DISCLOSURE**

<u>YEAR ENDING SEPTEMBER 30</u>	<u>ACTUARIALLY DETERMINED CONTRIBUTION</u>	<u>ACTUAL EMPLOYER CONTRIBUTION</u>	<u>CONTRIBUTION DEFICIENCY (EXCESS)</u>	<u>PENSIONABLE COVERED PAYROLL</u>	<u>ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL</u>
2015	\$ 1,448,834	\$ 2,387,834	\$ (939,000)	\$ 7,701,880	31.0%
2016	588,912	3,538,452	(2,949,540)	8,017,932	44.1%
2017	456,527	456,527	-	7,748,378	5.9%
2018	471,018	471,018	-	8,060,895	5.8%
2019	479,363	479,363	-	8,290,636	5.8%
2020	537,610	537,610	-	8,738,209	6.2%
2021	559,654	559,654	-	8,832,265	6.3%
2022	697,680	697,680	-	8,936,353	7.8%

This schedule is presented to illustrate the requirement to show information for 10 years. Recalculations of prior years are not required in accordance with GASB 68, therefore, only the years for which the new GASB statements have been implemented are shown.



**COUNTY OF GAINES**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Texas Department of Transportation:		
County Transportation Infrastructure Fund Grant Program	CTIF-02-084	\$ 980,907
Aviation Ramp Grant	Not Available	<u>45,369</u>
Total Texas Department of Transportation		1,026,276
Texas Office of Court Administration:		
Indigent Legal Grant	Not Available	<u>23,572</u>
Total Texas Office of Court Administration		23,572
Texas Attorney General:		
Texas Vine Grant	Not Available	<u>6,703</u>
Total Texas Attorney General		<u>6,703</u>
Total Expenditure of State Awards		<u>\$ 1,056,551</u>

See accompanying notes to schedule of expenditures of state awards.

**COUNTY OF GAINES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**I. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state awards includes the state grant activity of the County of Gaines, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Texas Uniform Grant Management Standards; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. 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 changes in net position of the County of Gaines.

**II. SUMMARY OF SIGNIFICATION ACCOUNTING POLICIES**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Texas Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years

Grant identifying numbers are presented where available.

**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 Honorable Judge and Commissioners' Court  
County of Gaines  
Seminole, TX 79360

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Gaines, Seminole, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County of Gaines, Seminole, Texas' basic financial statements, and have issued our report thereon dated January 13, 2023.

Internal Control over Financial Reporting

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

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

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

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

Purpose of this Report

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

*Davis, Ray & Co.*

Seminole, Texas  
January 13, 2023



**Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by Texas Uniform Grant Management Standards**

To Honorable Judge and Commissioners' Court  
County of Gaines  
Seminole, TX 79360

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the County of Gaines, Seminole, Texas' compliance with the types of compliance requirements described in Texas Uniform Grant Management Standards that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2022. The County's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County of Gaines, Seminole, 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 audit requirements of the Texas Uniform Grant Management Standards. Our responsibilities under those standards and the Texas Uniform Grant Management Standards are further described in the Auditor's Responsibilities for the Audit Compliance section of our report.

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance 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 and grant agreements applicable to the County of Gaines, Seminole, Texas' state programs.

***Auditor's Responsibilities for the Audit of Compliance***

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



## **Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by Texas Uniform Grant Management Standards (Continued)**

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 financial reporting was for the limited purpose described in the Auditor's Responsibility 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 those limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

*David, Ray's Co.*

Seminole, Texas  
January 13, 2023

**COUNTY OF GAINES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS**  
**SEPTEMBER 30, 2022**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ YES ☒ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

**State Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor's report issued: Unmodified

Any audit findings disclosed required to be reported in accordance with Texas Uniform Grant Management Standards? ☐ YES ☒ NO

Identification of major programs

State Grantor  
TXDOT

Program Title  
County Transportation Infrastructure Fund Grant Program

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? ☒ YES ☐ NO

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported for the year ended September 30, 2022.

**SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported for the year ended September 30, 2022.