

ZAPATA COUNTY, TEXAS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

ZAPATA COUNTY, TEXAS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
And Honorable County Commissioners
County of Zapata, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Zapata, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Zapata, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Zapata, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Texas Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025, on our consideration of the County of Zapata, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Zapata, Texas' internal control over financial reporting and compliance.

Canales, Garza & Baum, PLLC

Laredo, Texas
January 15, 2025

Zapata County

Management's Discussion and Analysis

This section of Zapata County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the County's financial statements, which follow this section.

Financial Highlights

The assets of Zapata County exceeded its liabilities of the most recent fiscal year by \$73,339,436 (net assets) at September 30, 2023. Of this amount, \$8,914,599 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The County's total net assets decreased by \$1,427,471.

The County's total combined Proprietary Fund net assets was \$10,371,987 September 30, 2023.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,877,300, a decrease of \$261,766 in comparison with the prior period. Approximately 54% of this total amount, \$6,968,623, is available for spending at the County's discretion (unassigned fund balance).

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements include only the County itself.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

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

The County maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund.

The County adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Proprietary funds. The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Water and Sewer funds, Airport fund and the Sheriff's Commissary fund.

Fiduciary funds. The County is agent for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position, found on page 21. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-52 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 53-55 of this report.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) they are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash, or are not expected to be converted to cash within the next year.

Restricted - This classification includes amounts for which the constraints that have been placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or (b) imposed by law through constitutional provisions or by enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by order of the Board of Directors, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the fund were initially committed.

Assigned - This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned - This classification includes the residual fund balance for the General Fund.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of Zapata County, assets exceeded liabilities by \$73,339,436 at the close of the most recent fiscal year.

A portion of the County's net assets (79%) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>9/30/2023</u>	<u>9/30/2022</u>
Current and Other Assets	\$ 18,100,198	\$ 25,272,272
Capital Assets	<u>88,232,893</u>	<u>89,563,397</u>
Total Assets	<u>106,333,091</u>	<u>114,835,669</u>
Deferred Outflows of Resources	<u>3,681,050</u>	<u>5,209,649</u>
Long-term Liabilities	28,381,225	31,034,804
Other Liabilities	<u>7,816,343</u>	<u>5,469,938</u>
Total Liabilities	<u>36,197,568</u>	<u>36,504,742</u>
Deferred Inflows of Resources	<u>477,137</u>	<u>8,773,669</u>
Invested in Capital Assets, net of Related Debt	58,516,160	56,990,252
Reserved for Other Purposes	5,768,457	6,251,383
Reserved for Debt Service	140,220	75,723
Unrestricted	<u>8,914,599</u>	<u>11,449,549</u>
Total Net Assets	<u>\$ 73,339,436</u>	<u>\$ 74,766,907</u>

Government-wide Financial Activities

Government-wide financial activities decreased the County's net assets by \$1,427,471.

	<u>9/30/2023</u>	<u>9/30/2022</u>
Revenues:		
Program revenues		
Charges for services	\$ 5,388,763	\$ 5,957,549
Operating grants	4,703,127	4,001,867
Capital grants	986,710	84,092
General revenues		
Property taxes	10,522,789	9,745,511
Sales and miscellaneous taxes	2,933,336	2,666,944
Investment earnings	185,546	69,979
Other financing sources	-	-
Miscellaneous	<u>7,059,534</u>	<u>6,205,540</u>
Total Revenue	<u>31,779,805</u>	<u>28,731,482</u>

	9/30/2023	9/30/2022
Expenses:		
General government	8,837,924	4,560,209
Public safety	7,817,989	6,601,188
Justice system	1,759,452	1,581,892
Health and human services	2,049,565	1,699,135
Infrastructure and environmental serv.	3,025,057	2,702,263
Correction and rehabilitation	2,702,551	2,624,430
Community and economic develop.	417,945	406,277
Interest and fiscal charges	257,525	307,029
Business type activities	6,339,268	6,080,771
Total Expenses	33,207,276	26,563,194
Increase/(Decrease) in net assets	(1,427,471)	2,168,288
Beginning net assets	74,766,907	72,598,619
Prior Period Adjustment	-	-
Ending net assets	\$ 73,339,436	\$ 74,766,907

Revenues and expenses by source-government-wide financial activities:

	2023	
	Amount	%
Revenues:		
Charges for services	\$ 5,388,763	17.0%
Operating grants	4,703,127	14.8%
Capital grants	986,710	3.1%
Property taxes	10,522,789	33.1%
Sales and miscellaneous taxes	2,933,336	9.2%
Investment earnings	185,546	0.6%
Miscellaneous	7,059,534	22.2%
Total Revenue	\$ 31,779,805	100.0%
Expenses:		
General government	\$ 8,837,924	26.6%
Public safety	7,817,989	23.5%
Justice system	1,759,452	5.3%
Health and human services	2,049,565	6.2%
Infrastructure and environmental serv.	3,025,057	9.1%
Correction and rehabilitation	2,702,551	8.1%
Community and economic develop.	417,945	1.3%
Interest and fiscal charges	257,525	0.8%
Business type activities	6,339,268	19.1%
Total Expenses	\$ 33,207,276	100.0%

Financial Analysis of the County's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,877,300, a decrease of \$261,766 in comparison with the prior period. Approximately, 54% of this total amount, \$6,968,623 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or committed as follows:

Restricted:	
General Administration	\$ 312,752
Public Safety	(141,369)
Justice System	(172,732)
Health and Human Services	49,313
Infrastructure and Environmental Services	185,523
Community and Economic Development	74,778
Capital Outlay	(332,134)
Debt Service	140,220
Total Restricted	<u>116,351</u>
Committed:	
Landfill	920,028
Airport	341,268
Veleno Bridge	58,505
Catastrophic Fund	3,583,524
Oil and Gas	889,001
Total Committed	<u>5,792,326</u>
Total Restricted and Committed Funds	<u>\$ 5,908,677</u>

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,968,623, while total fund balance was \$12,760,949. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund pro-rated expenditures and transfers out, while total fund balance represents 77% of that same amount. The fund balance of the County's general fund increased by \$176,924 during the current fiscal year.

General Fund Budgetary Highlights

The County adopts an annual appropriated budget for the governmental funds. The County General Fund budgeted \$15,305,349 in total revenues and transfers in and \$16,713,518 in total expenditures and transfers out. Actual governmental fund revenues and transfers in were \$16,721,491 for a favorable variance compared to budgeted revenues of \$1,416,142. Actual

governmental fund expenditures and transfers out were \$16,544,567 for a favorable variance compared to budgeted expenditures of \$168,951.

Capital Assets and Debt Administration

Capital Assets:

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$88,232,893 (net of accumulated depreciation).

	2023	2022
Land	\$ 2,319,841	\$ 2,319,841
Infrastructure	70,701,861	70,514,971
Buildings and improvements	57,883,186	57,883,186
Construction in progress	-	-
Equipment and furniture	18,824,629	16,813,333
Accumulated depreciation	(61,496,624)	(57,967,934)
Total	\$ 88,232,893	\$ 89,563,397

Long-term debt:

At the end of the current fiscal year, the County had the following long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year	Due After One Year
Governmental Activities:						
Combined Tax & Revenue C/O, Series 2013	700,000	-	105,000	595,000	110,000	485,000
Unlimited Tax Refunding Bonds Series 2017	3,895,000	-	925,000	2,970,000	955,000	2,015,000
Certificates of Obligation, Series 2019	1,780,000	-	125,000	1,655,000	130,000	1,525,000
Certificates of Obligation, Series 2021	3,795,000	-	470,000	3,325,000	480,000	2,845,000
Capital Leases	34,190	-	10,894	23,296	11,390	11,906
Zapata National Bank (Election Equipment)	37,960	-	37,960	-	-	-
Compensated Absences	572,577	51,296	-	623,873	-	623,873
Land Closure & Postclosure Costs	972,297	68,061	-	1,040,358	-	1,040,358
Total	11,787,024	119,357	1,673,854	10,232,527	1,686,390	8,546,137
	11,836,072					
Business-Type Activities:						
TWDB EDAP, Series 2006	8,893,000	-	494,000	8,399,000	494,000	7,905,000
TWDB CWSRF, Series 2008	3,205,000	-	320,000	2,885,000	320,000	2,565,000
TX Waterworks & Sewer Revenue Bonds, Series 2014	785,000	-	17,000	768,000	17,000	751,000
USDA Series 2017 A (Sewer Plant)	4,481,636	-	81,636	4,400,000	85,000	4,315,000
USDA Series 2017 B (Sewer Plant)	3,666,828	-	64,828	3,602,000	68,000	3,534,000
San Ygnacio MUD Loan #5093392427	340,701	-	34,456	306,245	306,245	-
San Ygnacio MUD Loan #5093392428	20,781	-	13,594	7,187	7,187	-
Digital Water Meters Loan	884,325	-	103,321	781,004	105,571	675,433
Compensated Absences	87,166	2,489	-	89,655	-	89,655
Total	22,364,437	2,489	1,128,835	21,238,091	1,403,003	19,835,088
Grand Total	\$ 34,151,461	\$ 121,846	\$ 2,802,689	\$ 31,470,618	\$ 3,089,393	\$ 28,381,225

The County total debt decreased by \$2,680,843 during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The taxable value used for the fiscal year ending September 30, 2023 budget preparation increased approximately 11% from fiscal year ended September 30, 2022.
- The tax rate established for the fiscal year ending September 30, 2023 budget is \$.893627, which is .030399 lower than the prior year.
- Inflationary trends in the region are comparable to national indices.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Zapata County Auditor's Office, 200 E. 7th Avenue, Suite 157, Zapata, Texas, 78076.

BASIC FINANCIAL STATEMENTS

ZAPATA COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 4,751,001	\$ 4,218,067	\$ 8,969,068
Receivables (net of allowance)	8,004,800	1,126,330	9,131,130
Internal Balances	5,375,895	(5,375,895)	-
Net Pension Asset	-	-	-
Capital Assets			
Land	1,554,640	765,201	2,319,841
Infrastructure	23,817,450	46,884,411	70,701,861
Building and Improvements	55,613,522	2,269,664	57,883,186
Equipment and Furniture	15,764,147	3,060,482	18,824,629
Less: accumulated depreciation	(40,776,293)	(20,720,331)	(61,496,624)
TOTAL CAPITAL ASSETS	55,973,466	32,259,427	88,232,893
TOTAL ASSETS	74,105,162	32,227,929	106,333,091
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,681,050	-	3,681,050
Total Deferred Outflows of Resources	3,681,050	-	3,681,050
 LIABILITIES			
Accounts Payable	1,011,005	274,501	1,285,506
Accrued Wages Payable	408,729	54,846	463,575
Net Pension Liability	2,016,222	-	2,016,222
Net Pension Obligations - OPEB	673,143		673,143
Consumer Meter Deposits		288,503	288,503
Long-term liabilities			
Due within one year			
Bonds	1,686,390	1,403,004	3,089,394
Due in more than one year			
Bonds	6,881,906	19,745,433	26,627,339
Compensated Absences	623,873	89,655	713,528
Land Closure & Postclosure Costs	1,040,358	-	1,040,358
Total Liabilities	14,341,626	21,855,942	36,197,568
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	477,137	-	477,137
Total Deferred Inflows of Resources	477,137	-	477,137
 NET POSITION			
Invested in Capital Assets, Net of Related Debt	47,405,170	11,110,990	58,516,160
Restricted:			
Debt Service	140,220		140,220
Other Purposes	5,768,457		5,768,457
Unrestricted	9,653,602	(739,003)	8,914,599
Total Net Position	\$ 62,967,449	\$ 10,371,987	\$ 73,339,436

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

ZAPATA COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In		Net (Expense) Revenue and Changes In Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 8,837,924	\$ 116,147	\$ 493,425		\$ (8,228,352)		\$ (8,228,352)
Public Safety	7,817,989	6,864	3,486,076		(4,325,049)		(4,325,049)
Justice System	1,759,452	103,419	208,521		(1,447,512)		(1,447,512)
Health and Human Services	2,049,565	10,674	515,105		(1,523,786)		(1,523,786)
Infrastructure and Environmental Services	3,025,057	388,397		981,710	(1,654,950)		(1,654,950)
Correction and Rehabilitation	2,702,551				(2,702,551)		(2,702,551)
Community and Economic Development	417,945			5,000	(412,945)		(412,945)
Interest and Fiscal Charges	257,525				(257,525)		(257,525)
Total Governmental Activities	<u>26,868,008</u>	<u>625,501</u>	<u>4,703,127</u>	<u>986,710</u>	<u>(20,552,670)</u>	<u>-</u>	<u>(20,552,670)</u>
Business-Type Activities							
Water Plant	4,210,483	3,314,441				(896,042)	(896,042)
Sewer Plant	1,955,332	1,281,210				(674,122)	(674,122)
Airport	104,579	53,528				(51,051)	(51,051)
Sheriff Commissary	68,874	114,083				45,209	45,209
Total Business-Type Activities	<u>6,339,268</u>	<u>4,763,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,576,006)</u>	<u>(1,576,006)</u>
Total Primary Government	<u>33,207,276</u>	<u>5,388,763</u>	<u>4,703,127</u>	<u>986,710</u>	<u>(20,552,670)</u>	<u>(1,576,006)</u>	<u>(22,128,676)</u>
General Revenues							
Property Taxes, Levies for General Purposes					10,522,789		10,522,789
Penalty and interest on taxes					312,984		312,984
Sales and Miscellaneous Taxes					2,620,352		2,620,352
Fines and Forfeitures					537,231		537,231
Unrestricted Investment Earnings					182,128	3,418	185,546
Miscellaneous					6,522,303	-	6,522,303
Transfers In/(Out)					(814,000)	814,000	-
Total General Revenues and Transfers					<u>19,883,787</u>	<u>817,418</u>	<u>20,701,205</u>
Change in Net Position					(668,883)	(758,588)	(1,427,471)
Net Position - Beginning					63,636,332	11,130,575	74,766,907
Prior Period Adjustment					-	-	-
Net Position - Ending					<u>\$ 62,967,449</u>	<u>\$ 10,371,987</u>	<u>\$ 73,339,436</u>

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

ZAPATA COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	GENERAL FUND	DEBT SERVICE	CO'S SERIES 2021	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash and Cash Equivalents	\$ 982,601	\$ 8,962	\$ 300,566	\$ 3,458,872	\$ 4,751,001
Receivables, net	2,768,358	805,439	-	4,431,003	8,004,800
Due from Other Funds	12,547,275	131,258	-	273,957	12,952,490
Total Assets	<u>16,298,234</u>	<u>945,659</u>	<u>300,566</u>	<u>8,163,832</u>	<u>25,708,291</u>
LIABILITIES AND FUND BALANCES					
Accounts Payable	460,781	-		550,224	1,011,005
Accrued Wages Payable	308,146	-	-	100,583	408,729
Due to Other Funds	-	-	610,700	6,965,895	7,576,595
Deferred Revenues	2,768,358	805,439	-	260,865	3,834,662
Total Liabilities	<u>3,537,285</u>	<u>805,439</u>	<u>610,700</u>	<u>7,877,567</u>	<u>12,830,991</u>
Fund Balances:					
Restricted:					
General Government				312,752	312,752
Public Safety				(141,369)	(141,369)
Justice System				(172,732)	(172,732)
Health and Human Services				49,313	49,313
Infrastructure and Environmental Services				185,523	185,523
Community and Economic Development				74,778	74,778
Capital Outlay			(310,134)	(22,000)	(332,134)
Debt Service		140,220		-	140,220
Committed:	5,792,326				5,792,326
Unassigned:	6,968,623				6,968,623
Total Fund Balances	<u>12,760,949</u>	<u>140,220</u>	<u>(310,134)</u>	<u>286,265</u>	<u>12,877,300</u>
Total Liabilities and Fund Balances	<u>\$ 16,298,234</u>	<u>\$ 945,659</u>	<u>\$ 300,566</u>	<u>\$ 8,163,832</u>	<u>\$ 25,708,291</u>

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

ZAPATA COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Fund Balances - governmental funds balance sheet	\$ 12,877,300
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds	55,973,466
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net if allowance for uncollectible)	3,834,662
Included in the items related to debt is the recognition of the County's proportionate share of the net pension liability required by GASB 68 in the amount of \$(2,016,222) net pension obligation - OPEB required by GASB 75 in the amount of \$(673,143), a deferred resources outflows related to TCDRS in the amount of \$3,681,050 and a deferred resources inflows related to TCDRS in the amount of \$(477,137)	514,548
Long-term liabilities, including bonds payable, compensated absences, and closure and post closure costs are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,232,527)</u>
Net position of governmental activities - statement of net assets	<u>\$ 62,967,449</u>

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

ZAPATA COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	GENERAL FUND	DEBT SERVICE	CO'S SERIES 2021	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:					
Taxes:					
Property Taxes	\$ 6,707,281	\$ 2,679,469	\$ -	\$ 769,619	\$ 10,156,369
Sales and Miscellaneous Taxes	2,456,669	-	-	118,088	2,574,757
Penalty and Interest on Taxes	212,940	78,197	-	21,847	312,984
Franchise Taxes	45,595	-	-	-	45,595
Intergovernmental	493,425	-	-	5,196,412	5,689,837
Licenses and Permits	1,419	-	-	388,397	389,816
Charges for Services	178,802	-	-	56,883	235,685
Fees and Fines	-	-	-	537,231	537,231
Interest	179,973	550	-	1,605	182,128
Miscellaneous	6,410,387	-	-	111,916	6,522,303
Total Revenues	<u>16,686,491</u>	<u>2,758,216</u>	<u>-</u>	<u>7,201,998</u>	<u>26,646,705</u>
EXPENDITURES:					
Current:					
General government	5,537,165	-	17,364	907,077	6,461,606
Judicial	1,372,753	-	-	373,484	1,746,237
Public safety	4,713,996	-	-	2,339,800	7,053,796
Infrastructure and environmental services	106,836	-	-	1,654,411	1,761,247
Corrections and rehabilitation	2,717,979	-	-	-	2,717,979
Health and human services	1,162,857	-	-	644,311	1,807,168
Community and economic development	396,950	-	-	19,923	416,873
Capital outlay	189,173	-	726,812	1,282,201	2,198,186
Debt Service:					
Principal	48,854	1,625,000	-	-	1,673,854
Interest and Fiscal Charges	2,806	254,719	-	-	257,525
Total Expenditures	<u>16,249,369</u>	<u>1,879,719</u>	<u>744,176</u>	<u>7,221,207</u>	<u>26,094,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>437,122</u>	<u>878,497</u>	<u>(744,176)</u>	<u>(19,209)</u>	<u>552,234</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	35,000			295,198	330,198
Operating Transfers Out	(295,198)	(814,000)	-	(35,000)	(1,144,198)
Total Other Financing Sources (Uses)	<u>(260,198)</u>	<u>(814,000)</u>	<u>-</u>	<u>260,198</u>	<u>(814,000)</u>
Net Change in Fund Balances	176,924	64,497	(744,176)	240,989	(261,766)
Prior Period Adjustment	-	-	-	-	-
Fund Balance - Beginning of Year	<u>12,584,025</u>	<u>75,723</u>	<u>434,042</u>	<u>45,276</u>	<u>13,139,066</u>
Fund Balance - End of Year	<u>\$ 12,760,949</u>	<u>\$ 140,220</u>	<u>\$ (310,134)</u>	<u>\$ 286,265</u>	<u>\$ 12,877,300</u>

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

ZAPATA COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023

Net changes in fund balances - total governmental funds	\$ (261,766)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was exceeded by depreciation expense in the current period.	(223,678)
Long-term liabilities, including loan proceeds, are not due and payable in the current period and therefore are not reported in the funds.	-
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	366,420
The implementation of GASB 68 and 75 required that certain expenditures be de-expended and recorded as deferred resources outflows.	(2,104,356)
Repayment of loan principal is an expenditure in the funds but not an expense in the statement of activities	1,673,854
Compensated Absences and Land Closure & Postclosure Costs recorded for entity wide financial statements	<u>(119,357)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (668,883)</u>

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

ZAPATA COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	WATER PLANT	SEWER PLANT	AIRPORT	SHERIFF COMMISSARY	TOTALS
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 3,316,508	\$ 178,896	\$ 559,568	\$ 163,095	\$ 4,218,067
Receivables, net	866,917	259,413	-	-	1,126,330
Total current assets	4,183,425	438,309	559,568	163,095	5,344,397
Non-current assets:					
Capital assets:					
Land	459,121	306,080	-	-	765,201
Equipment and furniture	1,925,096	1,135,386	-	-	3,060,482
Buildings and improvements	1,556,296	656,558	56,810	-	2,269,664
Infrastructure	23,683,844	23,200,567	-	-	46,884,411
Less: Accumulated Depreciation	(14,033,015)	(6,630,506)	(56,810)	-	(20,720,331)
Total non-current assets	13,591,342	18,668,085	-	-	32,259,427
Total assets	17,774,767	19,106,394	559,568	163,095	37,603,824
LIABILITIES					
Current liabilities:					
Accounts Payable	243,348	27,854	3,299	-	274,501
Accrued Expenses	40,648	14,198	-	-	54,846
Customer Deposits	288,503	-	-	-	288,503
Due to Other Funds	1,835,886	3,009,048	530,961	-	5,375,895
Bonds, notes and loans payable	913,004	490,000	-	-	1,403,004
Total current liabilities	3,321,389	3,541,100	534,260	-	7,396,749
Non-current liabilities					
Bonds, notes and loans payable	8,580,433	11,165,000	-	-	19,745,433
Compensated Absences	58,408	31,247	-	-	89,655
Total non-current liabilities	8,638,841	11,196,247	-	-	19,835,088
Total liabilities	11,960,230	14,737,347	534,260	-	27,231,837
NET POSITION					
Invested in capital assets, net of related debt	4,097,905	7,013,085	-	-	11,110,990
Restricted	-	-	-	-	-
Unrestricted	1,716,632	(2,644,038)	25,308	163,095	(739,003)
Total net position	\$ 5,814,537	\$ 4,369,047	\$ 25,308	\$ 163,095	\$ 10,371,987

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

ZAPATA COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	WATER PLANT	SEWER PLANT	AIRPORT	SHERIFF COMMISSARY	TOTALS
OPERATING REVENUES					
Charges for Services	\$ 3,314,441	\$ 1,281,210	\$ 6,150	\$ -	\$ 4,601,801
Sales of products	-	-	47,378	114,083	161,461
Total operating revenues	<u>3,314,441</u>	<u>1,281,210</u>	<u>53,528</u>	<u>114,083</u>	<u>4,763,262</u>
OPERATING EXPENSES					
Personal Services	1,255,775	498,546	-	-	1,754,321
Utilities	103,676	119,012	-	-	222,688
Repairs and maintenance	681,718	450,613	94,185	-	1,226,516
Contractual	879,097	-	802	-	879,899
Other supplies and expenses	677,076	170,817	9,592	68,874	926,359
Depreciation	577,699	529,129	-	-	1,106,828
Total Operating Expenses	<u>4,175,041</u>	<u>1,768,117</u>	<u>104,579</u>	<u>68,874</u>	<u>6,116,611</u>
Operating Income (Loss)	<u>(860,600)</u>	<u>(486,907)</u>	<u>(51,051)</u>	<u>45,209</u>	<u>(1,353,349)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	3,018	31	369	-	3,418
Intergovernmental	-	-	-	-	-
Interest and Fiscal Charges	(35,442)	(187,215)	-	-	(222,657)
Total Non-Operating Revenues (Expenses)	<u>(32,424)</u>	<u>(187,184)</u>	<u>369</u>	<u>-</u>	<u>(219,239)</u>
Income Before Transfers	(893,024)	(674,091)	(50,682)	45,209	(1,572,588)
Transfers In (Out) - Net	<u>494,000</u>	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>814,000</u>
Changes in Net Assets	(399,024)	(354,091)	(50,682)	45,209	(758,588)
Total Net Assets - Beginning	6,213,561	4,723,138	75,990	117,886	11,130,575
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets - Ending	<u>\$ 5,814,537</u>	<u>\$ 4,369,047</u>	<u>\$ 25,308</u>	<u>\$ 163,095</u>	<u>\$ 10,371,987</u>

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

ZAPATA COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds				
	WATER PLANT	SEWER PLANT	AIRPORT	SHERIFF COMMISSARY	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,009,739	\$ 1,309,337	\$ 53,528	\$ 114,083	\$ 4,486,687
Payments to employees	(1,251,990)	(490,348)	-	-	(1,742,338)
Payments to vendors, suppliers, and insurance administrators	(1,599,785)	(402,709)	(108,082)	(68,874)	(2,179,450)
Net cash provided (used) by operating activities	157,964	416,280	(54,554)	45,209	564,899
CASH FLOW FOR NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental Transfers	494,000	320,000	-	-	814,000
Net cash provided (used) by non-capital and related financing activities	494,000	320,000	-	-	814,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments on capital debt	(650,046)	(483,464)	-	-	(1,133,510)
Net cash provided (used) by capital and related financing activities	(650,046)	(483,464)	-	-	(1,133,510)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	3,018	31	369	-	3,418
Intergovernmental	-	-	-	-	-
Interest and fiscal charges	(35,442)	(187,215)	-	-	(222,657)
Net cash provided (used) by investing activities	(32,424)	(187,184)	369	-	(219,239)
Net increase (decrease) in cash and cash equivalents	(30,506)	65,632	(54,185)	45,209	26,150
Cash and cash equivalents at beginning of year	3,347,014	113,264	613,753	117,886	4,191,917
Cash and cash equivalents at ending of year	3,316,508	178,896	559,568	163,095	4,218,067
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	(860,600)	(486,907)	(51,051)	45,209	(1,353,349)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	577,699	529,129	-	-	1,106,828
Change in assets and liabilities:					
Receivables, net	(195,988)	28,128	-	-	(167,860)
Accounts and other payables	636,853	345,930	(3,503)	-	979,280
Net cash provided by operating activities	\$ 157,964	\$ 416,280	\$ (54,554)	\$ 45,209	\$ 564,899

The accompanying notes are an integral part of these financial statements

ZAPATA COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2023

ASSETS

Cash and cash equivalents	<u>\$ 3,152,207</u>
Total current assets	<u><u>3,152,207</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Held in trust	1,483,820
Due to other governments	788,778
Refunds payable and others	<u>879,609</u>
Total liabilities	3,152,207

NET POSITION

<u>-</u>
<u><u>\$ 3,152,207</u></u>

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

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 - Summary of Significant Accounting Policies

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Zapata County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The accounting methods and procedures adopted by the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Standards Board (FASB). The following represent the most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Reporting Entity

Zapata County, Texas is governed by an elected five member commissioner's court. The County has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, and appointment of the respective governing board.

The County provides the following services to its citizens: public safety, judicial and legal services, public transportation, health and human services, culture and recreation facilities, conservation, public facilities, election functions, and general and financial administrative services.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The General fund is reported as a major fund and is reported in a separate column in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual bases of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fees and fines are considered as earned when paid. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Intergovernmental revenues, rents, commissions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County, which includes delinquent property taxes, licenses, fees and fines. For grants, like the government-wide financial statements, the revenue is recognized when all the eligibility requirements have been met.

The County reports the following as major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All other governmental funds are combined and reported as nonmajor.

The **Debt Service Fund** is the County's fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on short- and long-term debt.

Additionally, the County reports the following fund types:

Special Revenue Fund – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Fund – The Capital Project Funds are used to account for and report financial resources that are restricted for the acquisition of capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The **Proprietary Funds** are used to account for the County's ongoing operations that are financed and operated in a manner similar to private business enterprises – where the determination of net income, financial position, and cash flows are necessary or useful for sound financial administration.

Enterprise Fund – The enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to treat other County business similarly.

The **Fiduciary Funds** are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net position and changes in fund balances and employs accounting principles similar to proprietary funds.

Trust Fund – Trust funds account for the assets that are held for the benefit of others or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

of management and the length of time that the resources are held. The County currently does not have any trust funds that meet this definition.

Agency Fund – Agency funds account for the assets that are held for the benefit of others or as an agent for individuals, private organizations, other governmental units, and/or other funds solely in a custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U.S. and its agencies, certificates of deposit, local government pools, repurchase agreements, money market mutual funds and direct obligations of the State of Texas or its agencies.

Investments for the County, when applicable, are reported at fair market value. All investment income is recognized as revenue in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

The County considers all highly liquid investments with original maturities of less than 90 days to be cash equivalents. Cash and cash equivalents at year-end include demand deposits and repurchase agreements. Statutes give the County the authority to invest the funds in obligations of the United States, direct obligations of the State of Texas, other obligations guaranteed or insured by the State of Texas or the United States, obligations of states, agencies, counties, or cities of any state that have been rated not less than one or its equivalent by a nationally recognized investment firm, certificates of deposit guaranteed, insured or secured by approved obligations, prime domestic bankers' acceptances, commercial paper, fully collateralized repurchase agreements and an SEC-registered, no-load money market mutual fund whose assets consist exclusively of approved obligations.

State statutes and the adopted Investment Policy govern the County's cash and investment policies. The County's policies governing bank deposits require depositories to be FDIC-insured institutions and depositories must fully collateralize all deposits in excess of FDIC insurance limits. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect the County funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The cash in escrow account presented in the statement of net position – proprietary funds represent funds held in escrow for the Texas Water Development Board project. The County does not have check writing authority on this account. The administrator from the Texas Water Development Board can authorize to disburse fund from the escrow account to the County for eligible expenses.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade receivables are directly written-off when circumstances indicate a receivable is no longer collectible, usually within one year a receivable was incurred. Trade receivable allowance is determined based on the number of days a receivable is outstanding. The property tax receivable allowance is equal to 10 percent of delinquent outstanding property taxes at fiscal year-end.

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Property taxes are levied prior to September 30 based on taxable value as of January 1 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. On the governmental fund financial statements outstanding property taxes receivable is reported as deferred revenue.

Accounts receivables include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and unearned revenue (a liability) at the time the contracts are approved and signed. Grant revenues are recognized when eligibility requirements established by the grantor have been met, at which time unearned revenue (the liability account) is reduced.

Lending or borrowing between funds is reflected as “due to or due from” (current position) or “advances to/from other funds” (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in “due to or due from” is eliminated on the government-wide statements.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories comprise of expendable supplies and gasoline held for consumption. All inventory items are expensed when used. Reported inventories are offset by a reservation of fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. Inventory policy on government-wide statements is consistent with fund statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the fund financial statements, advances and prepayments are offset by a reservation of fund balance which indicates they do not represent “available spendable resources”.

Capital Assets

Capital assets, which include land, building and improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Equipment	10-15
Automotive	6
Furniture	12
Heavy equipment	15
Computer equipment	7

ZAPATA COUNTY, TEXAS
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GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipes (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County.

Compensatory Time

Overtime compensation shall be paid in the form of compensatory time off in accordance with the provisions of the Fair Labor Standards Act (FLSA). Covered employees shall receive time off, with pay, at a rate of one and one-half times the amount of overtime worked. The maximum amount of unused compensatory time an employee shall be allowed to accrue is 240 hours. Law enforcement, emergency medical services (EMS), and fire personnel may accrue a maximum of 480 hours. Unused compensatory time is paid to an employee who terminates employment for any reason prior to using all earned compensatory time.

Compensated Absences

The maximum unpaid annual leave that can be accrued is 160 hours. If an employee has worked at least 12 months in a position which accrues vacation at the time the employee resigns, is dismissed, terminated employment due to a reduction in force, elimination in position, retires, or separates from employment for any reason, the employee shall receive pay for all unused vacation up to the maximum allowed under this policy.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt.

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

Fund Balance Designations

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriate for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) they are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

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Restricted - This classification includes amounts for which the constraints that have been placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or (b) imposed by law through constitutional provisions or by enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by order of the Commissioners Court, the County's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action that was employed when the fund were initially committed.

Assigned - This classification includes amounts that are constrained by the Commissioners Court intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned - This classification includes the residual fund balance for the General Fund.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time. Deferred outflow of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

	Governmental Activities
Deferred Outflows of Resources	
Deferred Outflows from Pension	\$ 3,546,893
Deferred Outflows from OPEB	134,157
Total Deferred Outflows of Resources	<u>\$ 3,681,050</u>

	Governmental Activities
Deferred Inflows of Resources	
Deferred Inflows from Pension	\$ 248,754
Deferred Inflows from OPEB	228,383
Total Deferred Inflows of Resources	<u>\$ 477,137</u>

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are, therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the end of the year were as follows:

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	Capital Assets - Net (beg)	Additions	Depreciation	Capital Assets - Net (end)
Capital assets at end of year				
Land	\$ 1,554,640	\$ -	\$ -	\$ 1,554,640
Furniture and Equipment	4,892,947	2,011,296	789,309	6,114,934
Buildings and Improvements	35,894,106	-	1,129,446	34,764,660
Infrastructure	13,855,451	186,890	503,110	13,539,231
				<u>\$ 55,973,465</u>

Long-term liabilities	Total
Combined Tax & Revenue C/O, Series 2013	595,000
Unlimited Tax Refunding Bonds, Series 2017	2,970,000
Certificates of Obligation, Series 2019	1,655,000
Certificates of Obligation, Series 2021	3,325,000
Capital Leases	23,296
Compensated Absences	623,873
Land Closure & Postclosure Costs	1,040,358
	<u>\$ 10,232,527</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

Current year capital outlay	
Furniture and Equipment	\$ 2,011,296
Infrastructure	186,890
Total capital outlay	<u>2,198,186</u>
Depreciation expense	<u>(2,421,864)</u>
	<u>\$ (223,678)</u>

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Note 3 – Stewardship, compliance and accountability

Budgetary Information

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

1. The County Judge is the budget officer and has the responsibility of preparing the County's budgeted expenditures.
2. All County departments and organizations submit their budget requests to the County Judge for the fiscal year commencing the following October 1, by July 1.
3. During July, Commissioners Court conducts informal budget workshops with each department head to discuss their budget requests.
4. On or about July 31, the County Judge prepares a proposed budget to cover all proposed expenditures of the County for the current year. Copies of the proposed budget are filed with the County Clerk. The proposed budget is available for inspection by taxpayers.
5. After the filing of the proposed budget, on a date after August 15th, but prior to September 30 of the current year, Commissioners Court conducts a public hearing on the County's proposed budget. Any taxpayer of the County of Zapata had the right to present and participate in the hearing. At the conclusion of the hearing, the proposed budget, as prepared by the County Judge, is acted upon by the Commissioners Court. The Court had the authority to make such changes in the budget, as in its judgment the facts and the law warrant and the interest of the taxpayers demand, provided the amounts budgeted for current expenditures from the various funds for the County do not exceed the balances in these funds as of October 1 plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Judge.
6. Under no circumstances can Commissioners Court authorize expenditures that will exceed appropriations. Commissioners Court must authorize budget amendments transferring funds among different departments within the same fund.

Anytime any revisions are necessary that alter the total appropriations of any fund, Commissioners Court must enter an order setting forth how the budget is to be amended, declaring an emergency, finding that grave public necessity exists to meet unusual and unforeseen conditions which could not, by reasonably diligent thought and attention, have been included in the original budget.

Budgets adopted on an annual basis are consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, non-grant special revenue, and debt service funds. All annual appropriations lapse at fiscal year end. Budgetary integration is not employed for capital projects funds, because they include projects which extend over a period of several years. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds to an extent. All outstanding purchase orders automatically carry over to encumbrance the next budget year unless Commissioner Court individually approves them as an encumbrance to the prior year. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. As of September 30, 2023, no encumbrances were approved by Commissioners Court to carry forward as an encumbrance from the 2022-23 budget.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 4 – Detailed Notes on all Funds

A. Deposits and Investments

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

At September 30, 2023, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments and cash in escrow) was \$20,881,350. The County's cash deposits at September 30, 2023 and during the year ended September 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the Federal Reserve Bank of Dallas in the County's name under a joint safekeeping agreement with Zapata National Bank of Texas.

County Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, and 9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in 1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Zapata County, Texas is in substantial compliance with the requirements of the Act and with local policies.

Cash deposits held at financial institutions can be categorized into the following three categories of credit risk:

Category 1 - Deposits which are insured or collateralized with securities held by the entity or by its agents in the entity's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Deposits which are not collateralized.

Based on three levels of risk, all of the County's cash deposits are classified as Category 1.

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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that the principal amount of the deposit. The County's deposits, including certificates of deposits, were fully insured or collateralized as required by the state statutes at September 30, 2023. At year-end, the carrying amount of the County's deposits was \$20,881,350. Of the total bank balance, \$250,000 was covered by Federal Depository Insurance, the remainder was covered by collateral by the Bank. The collateral is held by the Federal Reserve Bank of Dallas in the County's name under a joint safekeeping agreement with Zapata National Bank of Zapata, Texas.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; and (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

The County did not have any investments during the year or at September 30, 2023.

Additional policies and contractual provisions governing deposits and investments for the County are specified below:

County Policies and Legal and Contractual Provisions Governing Deposits

Credit Risk. In accordance with state law and County's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The County's investments in investment pools were rated AAA. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the County limits investments in investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2023, the County had no investments.

Concentration of Credit Risk. The County does not place a limit on the amount the County may invest in any one issuer. The County does not have a concentration of credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a custodial credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis. The County does not have an interest rate risk.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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B. Interfund Activity

Interfund balances at September 30, 2023 consisted of the following individual fund balances:

Due to General Fund	\$	12,547,275	
Due to Other Funds		273,957	
Due to Debt Services		131,258	
	\$	<u>12,952,490</u>	Total Governmental Activities
Due from General Fund	\$	-	
Due to Other Funds	\$	6,965,895	
Due to CO's Series 2021		610,700	
		<u>7,576,595</u>	Total Governmental Activities
Due from Proprietary Funds		5,375,895	
	\$	<u>12,952,490</u>	

Interfund activity in the statement of net position is netted and presented as internal balances.

C. Receivables

Receivables at September 30, 2023 were as follows:

	Property Taxes	Other Receivables	Total Receivables
General Fund	\$ 3,075,953	\$ -	\$ 3,075,953
Debt Service	894,932	-	894,932
Nonmajor Governmental Funds	289,849	4,170,138	4,459,988
Water Plant	-	1,078,197	1,078,197
Sewer Plant	-	465,096	465,096
Total Receivables	\$ 4,260,735	\$ 5,713,431	\$ 9,974,166
Allowance for Uncollectible	(426,073)	(416,963)	(843,036)
Total Receivables, net			<u>\$ 9,131,130</u>

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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D. Capital Asset Activity

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

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets no being depreciated				
Land	\$ 1,554,640	\$ -	\$ -	\$ 1,554,640
Total capital assets not being depreciated	1,554,640	-	-	1,554,640
Capital assets being depreciated				
Furniture and Equipment	13,752,851	2,011,296	-	15,764,147
Buildings and Improvements	55,613,522	-	-	55,613,522
Infrastructure	23,630,560	186,890	-	23,817,450
Total capital assets being depreciated	92,996,933	2,198,186	-	95,195,119
Less: Accumulated Depreciation				
Depreciable Assets	38,354,429	2,421,864	-	40,776,293
Total Accumulated Depreciation	38,354,429	2,421,864	-	40,776,293
Total Capital Assets Depreciated, net	54,642,504	(223,678)	-	54,418,826
Governmental Activities Capital Assets, net	\$ 56,197,144	\$ (223,678)	\$ -	\$ 55,973,466

Depreciation expense was charged to governmental functions as follows:

	2023
General Government	242,186
Public safety	726,560
Infrastructure and environmental services	1,210,932
Health and human services	242,186
Total Depreciation Expense	<u>\$ 2,421,864</u>

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Business-type Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets no being depreciated				
Land	\$ 765,201			\$ 765,201
Total capital assets not being depreciated	765,201	-	-	765,201
Capital assets being depreciated				
Furniture and Equipment	3,117,292			3,117,292
Buildings and Improvements	2,212,854			2,212,854
Infrastructure	46,884,411			46,884,411
Total capital assets being depreciated	52,214,557	-	-	52,214,557
Less: Accumulated Depreciation				
Depreciable Assets	19,613,505	1,106,828		20,720,333
Total Accumulated Depreciation	19,613,505	1,106,828	-	20,720,333
Total Capital Assets Depreciated, net	32,601,052	(1,106,828)	-	31,494,224
Governmental Activities Capital Assets, net	\$ 33,366,253	\$ (1,106,828)	\$ -	\$ 32,259,425

Depreciation expense was charged to business-type activities functions as follows:

	2023
Water Plant	577,699.19
Sewer Plant	529,129.24
Total Depreciation Expense	<u>\$ 1,106,828</u>

E. Long-term debt

Governmental Activities:

Combined Tax & Revenue Certificate of Obligation Bonds, Series 2013: The bond was issued in the amount of \$1,500,000 at an interest rate of 3.75% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 110,000	\$ 20,250
2025	115,000	16,031
2026	120,000	11,625
2027	125,000	7,031
2028	125,000	2,344
Totals	<u>\$ 595,000</u>	<u>\$ 57,281</u>

ZAPATA COUNTY, TEXAS
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Unlimited Tax Refunding Bonds Series 2017: The bond was issued in the amount of \$8,265,000 at an interest rate ranging from 3.00% to 4.00% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 955,000	\$ 94,925
2025	990,000	60,800
2026	1,025,000	20,500
Totals	<u>\$ 2,970,000</u>	<u>\$ 176,225</u>

Certificates of Obligation, Series 2019: The bond was issued in the amount of \$2,200,000 at an interest rate of 2.79% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 130,000	\$ 44,361
2025	135,000	40,664
2026	140,000	36,828
2027	140,000	32,922
2028	145,000	28,946
2029-2033	795,000	80,282
2034	170,000	2,372
Totals	<u>\$ 1,655,000</u>	<u>\$ 266,375</u>

Certificates of Obligation, Series 2021: The bond was issued in the amount of \$4,270,000 at an interest rate of 1.59% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

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Year Ending September 30,	Principal	Interest
2024	\$ 480,000	\$ 49,052
2025	490,000	41,340
2026	495,000	33,509
2027	500,000	25,599
2028	515,000	17,530
2029-2033	515,000	46,945
2034-2037	330,000	7,871
Totals	<u>\$ 3,325,000</u>	<u>\$ 221,845</u>

Zapata National Bank Loan: A loan was obtained to purchase election equipment in the original amount of \$172,121 with current balance of \$74,768. The loan had an original interest rate of 4.5% adjustable on a quarterly basis. The next payment scheduled to be made within one year is \$36,807.

Capital Leases

The County has entered into several lease-purchase agreements for various pieces of equipment. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

\$196,402 - American National Leasing Company for the purchase of 5 – 2019 PPV Tahoe's with Emergency Equipment. Payments are due in 3 annual installments in varying amounts. The first installment is due April 26, 2020 and the last installment due April 26, 2022. Interest is at 4.49% per annum.

Total Present Value of Future Minimum Lease Payments	\$ 23,296
Plus Amount Representing Interest	1,604
Total Minimum Lease Payments	<u>\$ 24,900</u>
Payments Due within One Year	<u>\$ 11,390</u>

All bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County.

All bonds may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

There were no authorized and unissued general obligation bonds at September 30, 2023. The County is in compliance with all bond covenants on outstanding general obligation bonded debt.

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NOTES TO FINANCIAL STATEMENTS
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Business-type Activities:

Texas Water Development Board, Drinking Water State Revolving Funds (DWSRF) Loan Series, 2006: The bond was issued in the amount of \$14,826,000 at an interest rate of 0% per annum with principal amounts due on February 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 494,000	\$ -
2025	494,000	-
2026	494,000	-
2027	494,000	-
2028	494,000	-
2029-2033	2,470,000	-
2034-2038	2,470,000	-
2039-2040	989,000	-
Totals	<u>\$ 8,399,000</u>	<u>\$ -</u>

Texas Water Development Board, CWSRF Loan Series, 2008: The bond was issued in the amount of \$6,415,000 at an interest rate of 0% per annum with principal amounts due on February 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 320,000	\$ -
2025	320,000	-
2026	320,000	-
2027	320,000	-
2028	320,000	-
2029-2032	1,285,000	-
Totals	<u>\$ 2,885,000</u>	<u>\$ -</u>

USDA Waterworks and Sewer Revenue Bonds Loan, Series, 2014: The bond was issued in the amount of \$904,000 at an interest rate of 2.375% per annum with principal amounts due on August 15.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 17,000	\$ 18,240
2025	17,000	17,836
2026	18,000	17,433
2027	18,000	17,005
2028	19,000	16,578
2029-2033	101,000	75,953
2034-2038	113,000	63,436
2039-2043	127,000	49,353
2044-2048	143,000	33,511
2049-2053	161,000	15,699
2054	34,000	808
Totals	<u>\$ 768,000</u>	<u>\$ 325,850</u>

USDA Waterworks and Sewer Revenue Bonds Loan, Series, 2017A: The bond was issued in the amount of \$4,800,000 at an interest rate of 2.375% per annum with principal amounts due on August 15.

Year Ending September 30,	Principal	Interest
2024	\$ 85,000	\$ 106,519
2025	85,000	104,500
2026	90,000	102,481
2027	90,000	100,344
2028	90,000	98,206
2029-2033	495,000	457,425
2034-2038	555,000	395,794
2039-2043	625,000	326,681
2044-2048	700,000	248,900
2049-2053	785,000	161,856
2054-2058	800,000	63,888
Totals	<u>\$ 4,400,000</u>	<u>\$ 2,166,594</u>

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

USDA Waterworks and Sewer Revenue Bonds Loan, Series, 2017B: The bond was issued in the amount of \$2,139,091 at an interest rate of 2.375% per annum with principal amounts due on August 15.

Year Ending September 30,	Principal	Interest
2024	\$ 68,000	\$ 87,163
2025	70,000	85,548
2026	72,000	83,885
2027	73,000	82,175
2028	75,000	80,441
2029-2033	405,000	374,538
2034-2038	454,000	324,164
2039-2043	510,000	267,639
2044-2048	573,000	204,155
2049-2053	645,000	132,763
2054-2058	657,000	52,464
Totals	<u>\$ 3,602,000</u>	<u>\$ 1,774,933</u>

Digital Water Meters Loan: The loan has an origination date of November 18, 2019 with an original balance of \$1,082,544 with an interest rate of 2.82% per annum with principal amounts due on annually on November 18.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 106,235	\$ 22,024
2025	109,231	19,028
2026	112,311	15,948
2027	115,478	12,781
2028	118,735	9,525
2029-2030	219,015	8,910
Totals	<u>\$ 781,004</u>	<u>\$ 88,216</u>

San Ygnacio MUD Loan #5093392427: A loan was obtained for MUD improvements in the original amount of \$97,912 with current balance of \$306,245. The loan had an original interest rate of 3.60% adjustable on a quarterly basis.

San Ygnacio MUD Loan #5093392428: A loan was obtained for MUD improvements in the original amount of \$525,944 with current balance of \$7,187. The loan had an original interest rate of 3.60% adjustable on a quarterly basis

All loans constitute direct obligations of the County, payable from the revenues derived from the Water and Sewer collections, within the limits prescribed by law, on all taxable property located within the County.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

All loans may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

F. Changes in Long-Term Liabilities

Long-term activity for the year ended September 30, 2023 was as follows:

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year	Due After One Year
Combined Tax & Revenue C/O, Series 2013	\$ 700,000		\$ 105,000	\$ 595,000	\$ 110,000	\$ 485,000
Unlimited Tax Refunding Bonds, Series 2017	3,895,000		925,000	2,970,000	955,000	2,015,000
Certificates of Obligation, Series 2019	1,780,000		125,000	1,655,000	130,000	1,525,000
Certificates of Obligation, Series 2021	3,795,000		470,000	3,325,000	480,000	2,845,000
Zapata National Bank	37,960		37,960	-	-	-
Capital Leases	34,190		10,894	23,296	11,390	11,906
Compensated Absences	572,577	51,296	-	623,873	-	623,873
Land Closure & Postclosure Costs	972,297	68,061	-	1,040,358	-	1,040,358
Total	\$ 11,787,024	\$ 119,357	\$ 1,673,854	\$ 10,232,527	\$ 1,686,390	\$ 8,546,137

Business-Type Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year	Due After One Year
TX Water Dev. Board EDAP Series, 2006	\$ 8,893,000		\$ 494,000	\$ 8,399,000	\$ 494,000	\$ 7,905,000
TX Water Dev. Board CWSRF Series, 2008	3,205,000		320,000	2,885,000	320,000	2,565,000
TX Waterworks and Sewer Revenue Bonds, Series 2014	785,000		17,000	768,000	17,000	751,000
USDA Series 2017A (Sewer Plant)	4,481,636		81,636	4,400,000	85,000	4,315,000
USDA Series 2017B (Sewer Plant)	3,666,828		64,828	3,602,000	68,000	3,534,000
San Ygnacio MUD Loan #5093392427	340,701		34,456	306,245	306,245	-
San Ygnacio MUD Loan #5093392428	20,781		13,594	7,187	7,187	-
Digital Water Meters Loan	884,325		103,321	781,004	105,571	675,433
Compensated Absences	87,166	2,489	-	89,655	-	89,655
Total	22,364,437	2,489	1,128,835	21,238,091	1,403,003	19,835,088
Grand Total	\$ 34,151,461	\$ 121,846	\$ 2,802,689	\$ 31,470,618	\$ 3,089,393	\$ 28,381,225

G. Defined Benefit Pension Plan

Texas County and District Retirement System

Plan Description & Terms

Zapata County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple employer, public employee retirement system.

- 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited in his or her TCDRS account. By law, employees accounts earn 7% interest on the beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 225%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- 6) Membership information is shown in chart below.

Membership Information

Members	Dec. 31, 2021	Dec. 31, 2022
Number of inactive employees entitled to but not yet receiving benefits:	206	214
Number of active employees:	278	276
Average monthly salary	\$ 2,723	\$ 2,817
Average age	43.97	44.23
Average length of service	11.67	11.19
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	175	194
Average monthly benefit:	\$ 1,231	\$ 1,286

The Board of Trustees of TCDRS is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034 and can also be found at the following link, www.tcdrs.org.

Funding Policy

The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The Zapata County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2022 is 8.2%.

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ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Schedule of Employer Contribution

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	853,881	853,998	\$ (117)	\$ 9,291,417	9.2%
2014	887,889	887,889	-	9,125,238	9.7%
2015	792,295	792,295	-	8,583,873	9.2%
2016	710,859	710,859	-	8,050,425	8.8%
2017	698,417	698,417	-	7,751,511	9.0%
2018	811,291	811,291	-	8,381,030	9.7%
2019	776,563	776,563	-	8,647,643	9.0%
2020	929,096	929,096	-	9,347,031	9.9%
2021	921,431	921,431	-	9,205,095	10.0%
2022	1,255,567	1,255,567	-	9,526,304	13.2%

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ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Actuarial Methods and Assumptions are as follows:

Actuarial Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.1 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No Changes in plan provisions were reflected in the Schedule. 2020: No Changes in plan provisions were reflected in the Schedule. 2021: No Changes in plan provisions were reflected in the Schedule. 2022: No Changes in plan provisions were reflected in the Schedule.

Net Pension Liability

Under GASB 68, the County is required to recognize specific pension amounts, which include Net Pension Liability (NPL), deferred outflows and inflows of resources, and pension expense. The Total Pension Liability (TPL) (present value of actuarially determined pension benefits) less the value of the assets available in the plan to pay the pension benefits (Fiduciary Net Position or FNP) results in the NPL; this NPL will appear on the County's Statement of Net Position. The County's NPL was measured as of December 31, 2022 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Actuarial Valuation and Measurement Date, December 31, 2022

Total Pension Liability	\$ 69,646,617
Plan Fiduciary Net Position	<u>67,630,395</u>
Net Pension Liability / (Asset)	\$ 2,016,222
Fiduciary net position as a % of total pension liability	97.11%
 Pensionable covered payroll	 \$ 9,526,304
Net pension liability as a % of covered payroll	21.16%

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with 2014) and is presented in the Required Supplementary Information section.

Schedule of Changes in Net Pension Liability

Changes in the County's Net Pension Liability and Related Ratios as of December 31, 2022 are presented below:

Total pension liability	<u>2022</u>
Service Cost	\$ 1,393,908
Interest on the total pension liability	4,999,351
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Effect of economic/demographic gains or losses	339,314
Benefit payments, including refunds of employee contributions	<u>(2,892,987)</u>
Net Change in Total Pension Liability	3,839,586
Total Pension Liability-Beginning	<u>65,807,031</u>
Total Pension Liability- Ending (a)	<u>\$ 69,646,617</u>

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ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Plan Fiduciary Net Position

Contributions- Employer	\$ 1,255,567
Contributions- Member	666,841
Net Investment Income	(4,191,180)
Benefit payments, including refunds of employee contributions	(2,892,987)
Administrative expense	(39,633)
Other	(75,721)
Net Change in Plan Fiduciary Net Position	<u>(5,277,111)</u>
Plan Fiduciary Net Position- Beginning	72,907,507
Plan Fiduciary Net Position- Ending (b)	<u>\$ 67,630,395</u>
Net Pension Liability- Ending (a) - (b)	<u><u>\$ 2,016,222</u></u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.11%
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Covered Employee Payroll	\$ 9,526,304
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Net Pension Liability as a Percentage of Covered Employee Payroll	21.16%
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Pension Expense

Below is the Schedule of Pension Expense as of December 31, 2022:

Pension Expense

	<u>2022</u>
Total Service Cost	\$ 1,393,908
Interest on the Total Pension Liability	4,999,351
Effect of Plan Changes	-
Current Period Benefit Changes	
Employee Contributions (Reduction of Expense)	
Projected Earnings on Plan Investments (Reduction of Expense)	
Administrative Expense	39,633
Member Contributions	(666,841)
Expected Investment return net of investment expenses	(5,500,461)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(39,735)
Recognition of assumption changes or inputs	984,225
Recognition of investment gains and losses	133,134
Other	75,721
Total Pension Expense	<u><u>\$ 1,418,935</u></u>

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Schedule of Deferred Outflow and Inflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/2022 Expense	Balance of Deferred Inflows 12/31/2022	Balance of Deferred Outflows 12/31/2022
Investment (gains) or losses						
\$	9,691,640	12/31/2022	5.0	\$ 1,938,328	-	\$7,753,312
	(8,655,752)	12/31/2021	5.0	(1,731,150)	5,193,452	-
	(1,274,351)	12/31/2020	5.0	(254,870)	509,741	-
	(4,086,941)	12/31/2019	5.0	(817,388)	817,389	-
	4,991,070	12/31/2018	5.0	998,214	-	-
Economic/ Demographic (gains) or losses						
	339,314	12/31/2022	4.0	84,829	-	254,485
	(427,404)	12/31/2021	4.0	(106,851)	213,702	-
	(140,214)	12/31/2020	4.0	(35,054)	35,052	-
	89,703	12/31/2019	5.0	17,941	-	17,939
	(3,008)	12/31/2018	5.0	(600)	-	-
Assumption changes or inputs						
	-	12/31/2022	4.0	-	-	-
	136,426	12/31/2021	4.0	34,107	-	68,212
	3,800,470	12/31/2020	4.0	950,118	-	950,116
	-	12/31/2019	5.0	-	-	-
	-	12/31/2018	5.0	-	-	-

Employer contributions made subsequent to measurement date

-----Employer Determined-----

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:

	Net deferred outflows (inflows) of resources
2023	\$ 80,007
2024	(35,610)
2025	292,003
2026	1,938,328
2027	-
Thereafter	-

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contribution will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the net pension liability to changes discount rate

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

	1% Decrease	Current	1% Increase
	6.60%	Discount Rate 7.60%	8.60%
Total Pension Liability	\$ 79,390,670	\$ 69,646,617	\$ 61,572,571
Fiduciary Net Position	67,630,395	67,630,395	67,630,395
Net pension liability/asset	11,760,275	2,016,222	(6,057,824)

Other Post-Employment Benefits

Plan Description

A description of the OPEB plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follow:

- a. Zapata County participates in the retiree Group Term Life program for the Texas County District Retirement System (TCDRS), which is a state-wide, multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.
 2. The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
 3. The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 4. No future increases are assumed in the \$5,000 benefit amount.
 5. Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.
- c. Membership information is shown in the chart below.

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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- d. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
- e. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage Jan. 1 each year. The county's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Membership Information

Members	Dec. 31, 2021	Dec. 31, 2022
Number of inactive employees entitled to but not yet receiving benefits:	48	50
Number of active employees:	278	276
Average age of active employees:	43.97	44.23
Average length of service in years for active employees:	11.67	11.19
Inactive Employees Receiving Benefits		
Number of benefit recipients:	150	166

Changes in Total OPEB Liability

	Changes in Total OPEB Liability
Balance as of December 31, 2021	\$ 868,513
Changes for the year:	
Service cost	27,298
Interest on total OPEB liability	18,249
Changes of benefit terms	-
Effect of economic/demographic experience	20,431
Effect of assumptions changes or inputs	(241,343)
Benefit payments	(20,005)
Other	-
Balance as of December 31, 2022	<u>\$ 673,143</u>
Pensionable covered payroll	\$9,526,304
Net OPEB Liability as % of covered payroll	7.07%

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Sensitivity Analysis

The following presents the total OPEB Liability of the employer, calculated using the discount rate of 3.72%, as well as what Zapata County Total OPEB Liability would be if it were calculated using the discount rate that is 1% point lower (2.72%) or 1% point higher (4.72%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

Sensitivity Analysis

1% Decrease	Current Discount Rate	1% Increase
2.72%	3.72%	4.72%

Total OPEB Liability \$ 805,757 \$ 673,143 \$ 570,164

OPEB Expense

OPEB Expense / (Income)	<u>January 1, 2022 to December 31, 2022</u>
Service cost	\$ 27,298
Interest on total OPEB liability	18,249
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(4,219)
Recognition of assumption changes or inputs	(9,398)
Other	-
OPEB expense / (income)	<u>\$ 31,930</u>

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

Year ended December 31:

2023	\$ (13,619)
2024	(4,485)
2025	(31,942)
2026	(44,180)
2027	-
Thereafter	-

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/2022 Expense	Balance of Deferred Inflows 12/31/2022	Balance of Deferred Outflows 12/31/2022
Investment (gains) or losses						
	\$ 20,431	12/31/2022	5.0	\$ 4,086	-	\$ 16,345
	(33,332)	12/31/2021	5.0	(6,666)	20,000	-
	(1,955)	12/31/2020	6.0	(326)	977	-
	5,513	12/31/2019	6.0	919	-	1,837
	5,028	12/31/2018	6.0	838	-	838
	(21,490)	12/31/2017	7.0	(3,070)	3,070	-
Assumption changes or inputs						
	(241,343)	12/31/2022	5.0	(48,269)	193,074	-
	14,873	12/31/2021	5.0	2,975	-	8,923
	97,576	12/31/2020	6.0	16,263	-	48,787
	159,214	12/31/2019	6.0	26,536	-	53,070
	(67,577)	12/31/2018	6.0	(11,263)	11,262	-
	30,517	12/31/2017	7.0	4,360	-	4,357

Employer contributions made subsequent to measurement date

-----Employer Determined-----

Discount Rate		
	2021	2022
Discount rate	2.06%	3.72%
Municipal bond rate	2.06%	3.72%

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ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Actuarial Methods and Assumptions

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	
Recognition of economic/demographic gain or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset valuation method	Does not apply
Inflation	Does not apply
Salary Increases	See Table 1. Note that salary increase do not affect benefits but are used in the allocation of costs under the actuarial cost method.
Investment Rate of Return (Discount Rate)	3.72% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022.
Cost-of-Living Adjustment	Does not apply

Other Key Actuarial Assumptions

	Beginning Date	Ending Date
Valuation date	31-Dec-21	31-Dec-22
Measurement date	31-Dec-21	31-Dec-22
Employer's Fiscal Year	1-Oct-22	30-Sep-23

H. Subsequent Events

The County evaluated events and transactions occurring subsequent to September 30, 2023 through the date the financial statements were issued. During this period, there are no subsequent events that require recognition in the financial statements.

I. Contingent Liabilities

Litigation:

Various lawsuits are pending against the County involving general liability, civil rights actions and various contractual matters. In the opinion of County management, the potential claims against the

ZAPATA COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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County not covered by insurance resulting from such litigation will not materially affect the financial position of the County.

J. Risk Management

The County's risk management program includes coverage for property, general liability, automobile liability, law enforcement liability, public officials' liability and employee dishonesty bonds. The County carries commercial insurance.

K. Landfill Closure and Postclosure Costs Liability

State and federal laws and regulations require the County to place final covers on its landfill site when it stops accepting waste at these sites. The County will also be required to perform certain maintenance and monitoring functions for thirty years at the landfill site.

The Governmental Accounting Standards Board (GASB) Statement Number 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," addresses the financial statement effect of complying with EPA and state requirements. GASB Statement 18 requires that all closure and postclosure care costs be recognized during the operating life of the landfill. Accordingly, a portion of the total estimated closure and postclosure care costs, based on the ratio of landfill capacity, should be recognized as an expense and/or liability each period the landfill accepts waste.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The County established a separate account in October 1997 for these purposes. It is anticipated that future inflation costs will be paid in part from interest earnings on this account. However, if additional postclosure care requirements are determined (due changes in technology or applicable laws or regulations, for example) or interest earnings are inadequate, these costs may need to be covered by charges to future landfill users or from future tax revenue. Landfill Closure and Postclosure Costs in the amount of \$1,040,358 are recorded on the statement of net position to reflect the estimated liability for these costs.

REQUIRED SUPPLEMENTAL INFORMATION

ZAPATA COUNTY, TEXAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2023

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
TAXES:				
PROPERTY TAXES	\$ 6,945,214	\$ 6,945,214	\$ 6,707,281	\$ (237,933)
SALES & MISCELLANEOUS TAXES	2,100,000	2,100,000	2,456,669	356,669
PENALTY AND INTEREST ON TAXES	175,000	175,000	212,940	37,940
FRANCHISE TAXES	35,000	35,000	45,595	10,595
INTERGOVERNMENTAL REVENUES AND GRANTS	544,957	586,310	493,425	(92,885)
LICENSES AND PERMITS	1,000	1,000	1,419	419
CHARGES FOR SERVICES	154,325	154,325	178,802	24,477
FEES AND FINES	-	-	-	-
INTEREST	32,000	32,000	179,973	147,973
MISCELLANEOUS	5,216,500	5,216,500	6,410,387	1,193,887
TOTAL REVENUES	15,203,996	15,245,349	16,686,491	1,441,142
EXPENDITURES				
CURRENT:				
GENERAL GOVERNMENT	4,911,652	4,911,832	5,537,165	(625,333)
JUDICIAL	1,300,658	1,300,658	1,372,753	(72,095)
PUBLIC SAFETY	4,875,473	5,038,388	4,713,996	324,392
INFRASTRUCTURE & ENVIRONMENTAL SERVICES	113,597	114,597	106,836	7,761
CORRECTIONS & REHABILITATION	2,660,812	2,744,250	2,717,979	26,271
HEALTH AND HUMAN SERVICES	1,159,540	1,179,540	1,162,857	16,683
COMMUNITY & ECONOMIC DEVELOPMENT	453,858	453,858	396,950	56,908
CAPITAL OUTLAY	101,500	482,228	189,173	293,055
DEBT SERVICE:				
PRINCIPAL	-	-	48,854	(48,854)
INTEREST	-	-	2,806	(2,806)
TOTAL EXPENDITURES	15,577,090	16,225,351	16,249,369	(24,018)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(373,094)	(980,002)	437,122	1,417,124
OTHER FINANCING SOURCES/USES				
OPERATING TRANSFERS IN	60,000	60,000	35,000	(25,000)
OPERATING TRANSFERS OUT	(488,167)	(488,167)	(295,198)	192,969
TOTAL OTHER FINANCING SOURCES/USES	(428,167)	(428,167)	(260,198)	167,969
NET CHANGE IN FUND BALANCES	(801,261)	(1,408,169)	176,924	1,585,093
FUND BALANCES - BEGINNING (RESTATED)	12,584,025	125,840,252	12,584,025	113,256,227
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCES - ENDING	\$ 11,782,764	\$ 124,432,083	\$ 12,760,949	\$ 114,841,320

ZAPATA COUNTY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2023

SCHEDULE OF CHANGES IN THE COUNTY'S NET
PENSION LIABILITY AND RELATED RATIOS

	Year Ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 1,393,908	\$ 1,332,761	\$ 1,230,360	\$ 1,176,761	\$ 1,133,919	\$ 1,150,842	\$ 1,263,648	\$ 1,351,831	\$ 1,373,043
Interest on the total pension liability	4,999,351	4,765,295	4,510,185	4,240,141	3,990,506	3,809,574	3,570,271	3,418,454	3,194,801
Changes of benefit terms	-	-	-	-	-	-	-	(227,680)	-
Difference between expected and actual experience	-	-	-	-	-	-	-	-	-
Change of assumptions	-	136,426	3,800,470	-	-	(25,572)	-	340,008	-
Effect of economic/demographic gains or losses	339,314	(427,404)	(140,214)	89,703	(3,008)	(588,866)	(424,189)	(1,130,757)	(254,397)
Benefit payments, including refunds of employee contributions	(2,892,987)	(2,687,850)	(2,283,402)	(2,171,447)	(1,996,650)	(2,190,235)	(1,790,918)	(1,768,063)	(1,432,411)
Net Change in Total Pension Liability	3,839,586	3,119,228	7,117,399	3,335,158	3,124,767	2,155,743	2,618,812	1,983,793	2,881,036
Total Pension Liability-Beginning	65,807,031	62,687,803	55,570,404	52,235,246	49,110,479	46,954,736	44,335,924	42,352,131	39,471,095
Total Pension Liability- Ending (a)	\$ 69,646,617	\$ 65,807,031	\$ 62,687,803	\$ 55,570,404	\$ 52,235,246	\$ 49,110,479	\$ 46,954,736	\$ 44,335,924	\$ 42,352,131
Plan Fiduciary Net Position									
Contributions- Employer	\$ 1,255,567	\$ 921,431	\$ 929,096	\$ 776,563	\$ 811,291	\$ 698,417	\$ 710,859	\$ 792,295	\$ 887,889
Contributions- Member	666,841	644,357	654,292	605,335	586,672	542,606	563,530	608,512	638,767
Net Investment Income	(4,191,180)	13,236,291	5,767,240	7,997,364	(943,549)	6,518,884	3,126,760	(648,125)	2,727,093
Benefit payments, including refunds of employee contributions	(2,892,987)	(2,687,850)	(2,283,402)	(2,171,447)	(1,996,650)	(2,190,235)	(1,790,918)	(1,768,063)	(1,432,411)
Administrative expense	(39,633)	(39,444)	(44,523)	(42,552)	(39,111)	(33,443)	(33,979)	(30,800)	(32,339)
Other	(75,721)	(15,032)	(15,180)	(19,253)	(12,785)	(13,036)	(43,660)	(59,165)	(13,753)
Net Change in Plan Fiduciary Net Position	(5,277,111)	12,059,753	5,007,522	7,146,010	(1,594,132)	5,523,191	2,532,592	(1,105,347)	2,775,246
Plan Fiduciary Net Position- Beginning	72,907,507	60,847,754	55,840,231	48,694,222	50,288,354	44,765,164	42,232,572	43,337,918	40,562,673
Plan Fiduciary Net Position- Ending (b)	\$ 67,630,395	\$ 72,907,507	\$ 60,847,753	\$ 55,840,232	\$ 48,694,222	\$ 50,288,354	\$ 44,765,164	\$ 42,232,572	\$ 43,337,919
Net Pension Liability- Ending (a) - (b)	\$ 2,016,222	\$ (7,100,476)	\$ 1,840,050	\$ (269,828)	\$ 3,541,024	\$ (1,177,875)	\$ 2,189,573	\$ 2,103,353	\$ (985,788)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.11%	110.79%	97.06%	100.49%	93.22%	102.40%	95.34%	95.26%	102.33%
Covered Employee Payroll	\$ 9,526,304	\$ 9,205,095	\$ 9,347,031	\$ 8,647,643	\$ 8,381,030	\$ 7,751,511	\$ 8,050,425	\$ 8,583,873	\$ 9,125,238
Net Pension Liability as a Percentage of Covered Employee Payroll	21.16%	-77.14%	19.69%	-3.12%	42.25%	-15.20%	27.20%	24.50%	-10.80%

ZAPATA COUNTY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2023

SCHEDULE OF CHANGES IN THE COUNTY'S NET
OPEB LIABILITY AND RELATED RATIOS

Total pension liability

	Year Ended December 31					
	2022	2021	2020	2019	2018	2017
Service cost	\$ 27,298	\$ 24,627	\$ 22,271	\$ 15,167	\$ 17,717	\$ 15,289
Interest (on the total OPEB liability)	18,249	18,596	20,644	22,965	20,713	21,428
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience						
Changes of assumptions	(241,343)	14,873	97,576	159,214	(67,577)	30,517
Changes of economic/demographic (gains) or losses	20,431	(33,332)	(1,955)	5,513	5,028	(21,490)
Benefit payments, including refunds of employee contributions	(20,005)	(17,490)	(16,825)	(16,431)	(14,248)	(11,627)
Net Change in Total Pension Liability	(195,370)	7,274	121,711	186,428	(38,367)	34,117
Total Pension Liability - Beginning	868,513	861,239	739,528	553,100	591,467	557,350
Total Pension Liability - Ending	<u>\$ 673,143</u>	<u>\$ 868,513</u>	<u>\$ 861,239</u>	<u>\$ 739,528</u>	<u>\$ 553,100</u>	<u>\$ 591,467</u>
Covered Employee Payroll	\$9,526,304	\$ 9,205,095	\$ 9,347,031	\$ 8,647,643	\$ 8,381,030	\$ 7,751,511
Net OPEB Liability as a Percentage of Covered Employee Payroll	7.07%	9.44%	9.21%	8.55%	6.60%	7.63%

COMBINING FUND STATEMENTS

ZAPATA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Special Road and Bridge	Lateral Road	Families First Coronavirus Relief Act	Task Force	Emergency Management Fire Marshal	Lower Border Security	Information & Assistance Program	Nutrition Cener	Child/Adult Care Food & Summer Food	Sheriff Forfeiture	Hotel/ Motel	Courthouse Security
ASSETS												
Cash and Cash Equivalents	1,315,087	44,932		2	12		4,759		3,586	27,954	144,393	74,073
Receivables (net of allowance)	231,095		12,782	64,642		32,677						
Due from Other Funds		864		-	17,536			11,015				
Total Assets	1,546,182	45,796	12,782	64,644	17,548	32,677	4,759	11,015	3,586	27,954	144,393	74,073
LIABILITIES AND FUND BALANCES												
Accounts Payable	17,745	4	2,371	743	13,103		1,322	6,237				2,869
Accrued Wages Payable	28,642			3,997	4,445		2,021	4,778				1,719
Retainage Payable												
Due to Other Funds	965,231		18,207	121,036		32,677	1,416			273,830	167,780	93,763
Unearned Revenues	231,095											
Total Liabilities	1,242,713	4	20,578	125,776	17,548	32,677	4,759	11,015	-	273,830	167,780	98,351
Fund Balances:												
Restricted:												
General Government			(7,796)									
Public Safety				(61,132)						(245,876)		
Justice System												(24,278)
Health & Human Services									3,586			
Infrastructure & Environmental Services	303,469	45,792										
Community and Economic Development											(23,387)	
Capital Outlay												
Debt Service												
Unassigned												
Total Fund Balances	303,469	45,792	(7,796)	(61,132)	-	-	-	-	3,586	(245,876)	(23,387)	(24,278)
Total Liabilities and Fund Balances	1,546,182	45,796	12,782	64,644	17,548	32,677	4,759	11,015	3,586	27,954	144,393	74,073

ZAPATA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Justice Court Technology	Reserve 1991	Tobacco Settlement	Records Archive	Records Management	Records Management Statute	Records Management	SW Texas Border HIDTA	County Attorney Forfeiture	Sheriff Training	Sheriff Chapter 59	Juvenile Probation Title IV-E
ASSETS												
Cash and Cash Equivalents	22,339	14,740	134,889	158,744	84,429	16,604	2,185	5	28,437	497	3,241	16,793
Receivables (net of allowance)												
Due from Other Funds					41,542			42,802				
Total Assets	22,339	14,740	134,889	158,744	125,971	16,604	2,185	42,807	28,437	497	3,241	16,793
LIABILITIES AND FUND BALANCES												
Accounts Payable	152		787		1,166		215					
Accrued Wages Payable					391							
Retainage Payable												
Due to Other Funds	123,444		68,933				8,473			375		15,076
Unearned Revenues												
Total Liabilities	123,596	-	69,720	-	1,557	-	8,688	-	-	375	-	15,076
Fund Balances:												
Restricted:												
General Government		14,740		158,744	124,414	16,604	(6,503)					
Public Safety								42,807		122	3,241	1,717
Justice System	(101,257)								28,437			
Health & Human Services			65,169									
Infrastructure & Environmental Services												
Community and Economic Development												
Capital Outlay												
Debt Service												
Unassigned												
Total Fund Balances	(101,257)	14,740	65,169	158,744	124,414	16,604	(6,503)	42,807	28,437	122	3,241	1,717
Total Liabilities and Fund Balances	22,339	14,740	134,889	158,744	125,971	16,604	2,185	42,807	28,437	497	3,241	16,793

ZAPATA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	SW Texas OCDETF	Juvenile Probation	TJJD Prevention Grant S	Mentoring Work Force 2710001	Regional Diversion Grant R	Texas Veterans Assistance	Operation Stonegarden	Border Star	STEP Grant	Operation Lone Star	Operation Lone Star Border County	TXDOT CTIF
ASSETS												
Cash and Cash Equivalents	8,764	303,624	144,314	11,043		754	9					
Receivables (net of allowance)						15,054	152,713			283,085	248,345	
Due from Other Funds	35,463							17,800				
Total Assets	44,227	303,624	144,314	11,043	-	15,808	152,722	17,800	-	283,085	248,345	-
LIABILITIES AND FUND BALANCES												
Accounts Payable		51,856				4,001	41,771	155	230	12,109	346	
Accrued Wages Payable						960					13,763	
Retainage Payable												
Due to Other Funds		400,503	3,726	11,043	10,202	10,847	116,215		6,068	270,976	234,236	
Unearned Revenues												
Total Liabilities	-	452,359	3,726	11,043	10,202	15,808	157,986	155	6,298	283,085	248,345	-
Fund Balances:												
Restricted:												
General Government												
Public Safety	44,227						(5,264)	17,645	(6,298)			
Justice System		(148,735)	140,588		(10,202)							
Health & Human Services												
Infrastructure & Environmental Services												
Community and Economic Development												
Capital Outlay												
Debt Service												
Unassigned												
Total Fund Balances	44,227	(148,735)	140,588	-	(10,202)	-	(5,264)	17,645	(6,298)	-	-	-
Total Liabilities and Fund Balances	44,227	303,624	144,314	11,043	-	15,808	152,722	17,800	-	283,085	248,345	-

ZAPATA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Alamo Mira Flores 713521	Bluff Project 7214095	Truman Phelts 7215085	3rd, 4th & 7th Street Imp. 7216511	TWDB Colorado Acres	Falcon Meza 7217511	CDBG 18-19	ZAPATA COUNTY	TPWD MIRAFLORES.PARK	TPWD OLF COURSE	CO'S 2019	TOTALS
ASSETS												
Cash and Cash Equivalents												2,566,209
Receivables (net of allowance)							7,685	-	18,450	3,850		1,070,378
Due from Other Funds												167,022
Total Assets	-	-	-	-	-	-	7,685	-	18,450	3,850	-	3,803,609
LIABILITIES AND FUND BALANCES												
Accounts Payable								22,000	18,450	3,850		201,482
Accrued Wages Payable												60,716
Retainage Payable												-
Due to Other Funds					303,289		7,685	-	-	-		3,265,031
Unearned Revenues												231,095
Total Liabilities	-	-	-	-	303,289	-	7,685	22,000	18,450	3,850	-	3,758,324
Fund Balances:												
Restricted:												
General Government												300,203
Public Safety												(208,811)
Justice System												(115,447)
Health & Human Services												68,755
Infrastructure & Environmental Services												349,261
Community and Economic Development												(23,387)
Capital Outlay					(303,289)			(22,000)				(325,289)
Debt Service												-
Unassigned												-
Total Fund Balances	-	-	-	-	(303,289)	-	-	(22,000)	-	-	-	45,285
Total Liabilities and Fund Balances	-	-	-	-	-	-	7,685	-	18,450	3,850	-	3,803,609

ZAPATA COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Road and Bridge	Lateral Road	Families First Coronavirus Relief Act	Task Force	Emergency Management/ Fire Marshal	Lower Border Security	Information & Assistance Program	Nutrition Center	Child/Adult Care Food & Summer Food	Sheriff Forfeiture	Hotel/ Motel	Courthouse Security
REVENUES:												
Taxes:												
Property Taxes	721,453	255										
Penalty & Interest on Taxes	32,449	262										
Hotel/Motel											138,341	
Intergovernmental		11,693		104,832			25,250	245,677				
Licenses and Permits	416,159											
Charges for Services								5,688				
Fines and Forfeitures	274,106									88,411		6,777
Interest	4,380									15		
Miscellaneous	124,209											
Total Revenues	1,572,756	12,210	-	104,832	-	-	25,250	251,365	-	88,426	138,341	6,777
EXPENDITURES:												
Current:												
General Government												
Public Safety				140,056	166,997					108,890		
Justice System												57,902
Health & Human Services							92,647	301,156				
Infrastructure & Environmental Services	1,556,467											
Community & Economic Development												
Capital Outlay												
Total Expenditures	1,556,467	-	-	140,056	166,997	-	92,647	301,156	-	108,890	-	57,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,289	12,210	-	(35,224)	(166,997)	-	(67,397)	(49,791)	-	(20,464)	138,341	(51,125)
OTHER FINANCING SOURCES (USES):												
Operating Transfers In					169,621		68,052	51,210				
Operating Transfers Out												
Total Other Financing Sources (Uses)	-	-	-	-	169,621	-	68,052	51,210	-	-	-	-
Net Change in Fund Balances	16,289	12,210	-	(35,224)	2,624	-	655	1,419	-	(20,464)	138,341	(51,125)
Fund Balance - Beginning of Year	287,180	33,582	(7,796)	(25,908)	(2,624)	-	(655)	(1,419)	3,586	(225,412)	(161,728)	26,847
Fund Balance - End of Year	303,469	45,792	(7,796)	(61,132)	-	-	-	-	3,586	(245,876)	(23,387)	(24,278)

ZAPATA COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Justice Court Technology	Reserve 1991	Tobacco Settlement	Records Archive	Records Management	Records Management Statute	Records Management	SW Texas Border HIDTA	County Attorney Forfeiture	Sheriff Training	Sheriff Chapter 59	Juvenile Probation Title IV-E
REVENUES:												
Taxes:												
Property Taxes												
Penalty & Interest on Taxes												
Hotel/Motel												
Intergovernmental			48,972							5,144		
Licenses and Permits												
Charges for Services				25,637	25,630		435					
Fines and Forfeitures	3,994								771		45,319	
Interest									9		24	11
Miscellaneous												
Total Revenues	3,994	-	48,972	25,637	25,630	-	435	-	780	5,144	45,343	11
EXPENDITURES:												
Current:												
General Government					22,059		2,396	(2,107)				
Public Safety										5,348	104,347	40
Justice System	15,523								3,893			
Health & Human Services			11,305									
Infrastructure & Environmental Services												
Community & Economic Development												
Capital Outlay												
Total Expenditures	15,523	-	11,305	-	22,059	-	2,396	(2,107)	3,893	5,348	104,347	40
Excess (Deficiency) of Revenues												
Over (Under) Expenditures	(11,529)	-	37,667	25,637	3,571	-	(1,961)	2,107	(3,113)	(204)	(59,004)	(29)
OTHER FINANCING SOURCES (USES):												
Operating Transfers In												
Operating Transfers Out			(90,000)									
Total Other Financing Sources (Uses)	-	-	(90,000)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(11,529)	-	(52,333)	25,637	3,571	-	(1,961)	2,107	(3,113)	(204)	(59,004)	(29)
Fund Balance - Beginning of Year	(89,728)	14,740	117,502	133,107	120,843	16,604	(4,542)	40,700	31,550	326	62,245	1,746
Fund Balance - End of Year	(101,257)	14,740	65,169	158,744	124,414	16,604	(6,503)	42,807	28,437	122	3,241	1,717

ZAPATA COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	007,097, 200											
	SW Texas OCDETF	Juvenile Probation	TJJD Prevention Grant S	Mentoring Work Force 2710001	Regional Diversion Grant R	Texas Veterans Assistance	Operation itonegarde	Border Star	STEP Grant	Operation Lone Star	Operation Lone Star Border County	TXDOT CTIF
REVENUES:												
Taxes:												
Property Taxes												
Penalty & Interest on Taxes												
Hotel/Motel												
Intergovernmental		204,178			2,269	15,054	89,183			283,085	632,926	
Licenses and Permits												
Charges for Services												
Fines and Forfeitures												
Interest												
Miscellaneous		565										
Total Revenues	-	204,743	-	-	2,269	15,054	89,183	-	-	283,085	632,926	-
EXPENDITURES:												
Current:												
General Government										4,700		
Public Safety							89,183	14,418	4,137	272,911	319,089	
Justice System		209,716			2,269					5,474		
Health & Human Services						15,054						
Infrastructure & Environmental Services												
Community & Economic Development												
Capital Outlay											313,837	
Total Expenditures	-	209,716	-	-	2,269	15,054	89,183	14,418	4,137	283,085	632,926	-
Excess (Deficiency) of Revenues												
Over (Under) Expenditures	-	(4,973)	-	-	-	-	-	(14,418)	(4,137)	-	-	-
OTHER FINANCING SOURCES (USES):												
Operating Transfers In												
Operating Transfers Out												
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	(4,973)	-	-	-	-	-	(14,418)	(4,137)	-	-	-
Fund Balance - Beginning of Year	44,227	(143,762)	140,588	-	(10,202)	-	(5,264)	32,063	(2,161)	-	-	-
Fund Balance - End of Year	44,227	(148,735)	140,588	-	(10,202)	-	(5,264)	17,645	(6,298)	-	-	-

ZAPATA COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Alamo Mira Flores 713521	Bluff Project 7214095	Truman Phelts 7215085	3rd, 4th & 7th Street Imp. 7216511	TWDB Colorado Acres	Falcon Meza 7217511	CDBG 18-19	ZAPATA COUNTY	TPWD MIRAFLORES PARK	TPWD .OS EBANOS OLF COURSE	CO'S 2019	TOTALS
REVENUES:												
Taxes:												
Property Taxes												721,708
Penalty & Interest on Taxes												32,711
Hotel/Motel												138,341
Intergovernmental					-	-			18,450	3,850		1,690,563
Licenses and Permits												416,159
Charges for Services												57,390
Fines and Forfeitures												419,378
Interest												4,439
Miscellaneous												124,774
Total Revenues	-	-	-	-	-	-	-	-	18,450	3,850	-	3,605,463
EXPENDITURES:												
Current:												
General Government					8,000			22,000	18,450	3,850		79,348
Public Safety												1,225,416
Justice System												294,777
Health & Human Services												420,162
Infrastructure & Environmental Services												1,556,467
Community & Economic Development												-
Capital Outlay					295,289	-						609,126
Total Expenditures	-	-	-	-	303,289	-	-	22,000	18,450	3,850	-	4,185,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(303,289)	-	-	(22,000)	-	-	-	(579,833)
OTHER FINANCING SOURCES (USES):												
Operating Transfers In											136,063	424,946
Operating Transfers Out												(90,000)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	136,063	334,946
Net Change in Fund Balances	-	-	-	-	(303,289)	-	-	(22,000)	-	-	136,063	(244,887)
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-	-	-	(136,063)	290,172
Fund Balance - End of Year	-	-	-	-	(303,289)	-	-	(22,000)	-	-	-	45,285

SINGLE AUDIT SECTION



Aaron Canales, CPA
Juan José Garza, CPA
† J. Clayton Baum, CPA

Guadalupe García-Wright, CPA

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

To the Honorable County Judge
And Honorable County Commissioners
County of Zapata, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Zapata, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Zapata, Texas' basic financial statements and have issued our report thereon dated January 15, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Zapata, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-1.

County of Zapata, Texas' Response to Findings

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

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.

Canales, Saez & Baum, PLLC

Laredo, Texas
January 15, 2025

Aaron Canales, CPA
Juan José Garza, CPA
† J. Clayton Baum, CPA
Guadalupe Garcia-Wright, CPA



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE TEXAS GRANT MANAGEMENT STANDARDS

To the Honorable County Judge and
the Honorable County Commissioners
Zapata County, Texas

Report on Compliance for Each Major Federal and State Program

Qualified and Unmodified Opinions

We have audited Zapata County, Texas's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and the Texas Grant Management Standards* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2023. The County's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Operation Loan Star

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Operation Loan Star for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the County 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 other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

Basis for Qualified and Unmodified Opinions

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of the *Texas Grant Management Standards*. Our responsibilities under those standards, the Uniform Guidance, and the *Texas Grant Management Standards* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter(s) Giving Rise to Qualified Opinion on Operation Loan Star

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Operation Loan Star as described in finding number 2023-1 for Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal and 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 of the County's 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*, the Uniform Guidance and the *Texas Grant Management Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *Texas Grant Management Standards*, 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's 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's 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 over compliance in accordance with the Uniform Guidance and the *Texas Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of the County's 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 federal and state programs on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state programs 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 federal and 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-1 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance and the *Texas Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Canales, Garza & Baum, PLLC

Laredo, Texas
January 15, 2025

Zapata County, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/STATE GRANTOR/PROGRAM TITLE	FEDERAL ALN/CFDA NUMBER	FEDERAL EXPENDITURES
FEDERAL AWARDS		
<u>U.S. Department of Health and Human Services</u>		
Nutrition Program for the Elderly - C1, C2, USDA	93.045	C1, C2, USDA
		\$ 242,441
Total U.S. Department of Health and Human Services		242,441
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Texas Department of Agriculture		
Community Development Block Grants	14.228	64,450
Community Development Block Grants	14.228	360,296
Total U.S. Department of Housing and Urban Development		424,746
<u>U.S. Department of Justice</u>		
Passed Through City of Laredo, Texas		
Financial Task Force	16.579	2023
		92,352
Total U.S. Department of Justice		92,352
<u>U.S. Department of Homeland Security</u>		
Passed Through Texas Department of Public Safety		
Operation Stonegarden	97.067	2023
		341,097
Total U.S. Department of Homeland Security		341,097
<u>U.S. Department of the Treasury</u>		
Equitable Sharing	21.016	2023
		160,905
Total U.S. Department of the Treasury		160,905
<u>U. S. Department of Transportation</u>		
Passed Through Texas Department of Transportation		
Highway Planning and Construction	20.205	2023
		220,024
National Highway Traffic Safety Administration	20.616	2023
		3,482
Total Executive Office of the President		223,506
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,485,047

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the grant activity of Zapata County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Grant Management Standards, therefore some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

NOTE B - 10% DE MINIMIS INDIRECT COST RATE

Zapata County, Texas did elect to use the 10% De Minimis Indirect Cost Rate

Zapata County, Texas
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2023

STATE GRANTOR/ PASS THROUGH GRANTOR/STATE GRANTOR/PROGRAM TITLE	STATE EXPENDITURES
STATE AWARDS	
<u>Texas Juvenile Justice Department</u>	
Rural Development	
Grant A	\$206,139
Grant R	2,382
	<hr/>
Total Texas Juvenile Justice Department	208,521
	<hr/>
<u>Texas Department of Public Safety</u>	
Operation Lone Star	1,087,200
Operation Lone Star Border County	1,947,100
	<hr/>
Total Texas Department of Public Safety	3,034,300
	<hr/>
<u>Texas Parks and Wildlife Division</u>	
Miraflores Park	7,000
Colorado Acres	303,289
Boat Ramp	37,825
Los Ebanos Golf Course	5,000
Golf Course Grant	66,000
	<hr/>
Total Parks and Wildlife Division	419,114
	<hr/>
<u>Texas Veterans Commission</u>	
Texas Veterans Assistance	123,975
Housing for Texas Heroes	91,770
	<hr/>
Total Texas Veterans Commission	215,745
	<hr/>
TOTAL EXPENDITURES OF STATE AWARDS	\$ 3,877,680
	<hr/>

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the grant activity of Zapata County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Grant Management Standards, therefore some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

NOTE B - 10% DE MINIMIS INDIRECT COST RATE

Zapata County, Texas did elect to use the 10% De Minimis Indirect Cost Rate

Zapata County, Texas
Federal Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	HUD – Community Development Block Grants
93.045	HHS – Nutrition Program for the Elderly

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Zapata County, Texas
State Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are
not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance
for major programs: Qualified

Any audit findings disclosed that are required
to be reported in accordance with the
Texas Grant Management Standards? X yes _____ no

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of State Program or Cluster</u>
	TXDPS - Operation Lone Star
	TXDPS - Operation Lone Star Border County

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

None

Zapata County, Texas
State Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section III - State Award Findings and Questioned Costs

Finding No. 2023-1: Compensation was increased due to grant funds received and lowered after the grant ended.

Type of Finding: Significant Deficiency

Title: Operation Lone Star

Number: N/A

State Award Year: 2023

State Agency: Texas Department of Public Safety

Category of Finding: Allowable Costs/Cost Principles

Questioned Costs: To be determined by the Agency and/or County

Criteria:

The cost principles in TxGMS Chapter 783 and 2 CFR Part 200.430 of the Uniform Guidance, prescribe that compensation for personal services should be reasonable. Reasonable meaning that compensation for employees engaged in work on state awards will be reasonable to the extent that is consistent with that paid for similar work in other activities of the local government.

Condition:

There were 17 employees out of 24 that compensation was increased after receiving the grant and later decreased once the grant ended.

Cause:

Not following grant guidelines.

Effect:

Overpayment of personnel costs.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that grant guidelines are strictly followed.

Managements Views and Corrective Action Plan:

Zapata County acknowledges that not all grant guidelines were followed. Zapata County will adhere to TxGMS Chapter 783 and 2 CFR Part 200.430 of the Uniform Guidance and will monitor all grant programs closely to ensure all grant guidelines are followed. Additionally, Zapata County will appoint, as Financial Officer for the grants, an individual from the finance departments (Auditor, Treasurer). The corrective action plan has already been implemented.

Zapata County, Texas
Federal Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2023

Summary of Prior Audit Findings

Federal Award Findings and Questioned Costs

None.

Zapata County, Texas
State Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2023

Summary of Prior Audit Findings

State Award Findings and Questioned Costs

None.