

**Frio County, Texas**  
**Annual Financial Report**  
**For the Year Ended**  
**September 30, 2020**

**Frio County, Texas**  
**Annual Financial Report**  
**For the Year Ended**  
**September 30, 2020**

# Frio County, Texas

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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frio County, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

## Summary of Opinions

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

### *Basis for Qualified Opinion*

As indicated in the Schedule of Findings on page 50, there exist outstanding inter-fund receivables and corresponding payables on the County's various funds that do not appear to balance. Additionally, supporting documentation was not available for review; therefore Inter fund balances may not be accurately stated.

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

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters discussed in the "Basis for the Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General fund and the Agency Funds of Frio County as of September 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund (the Road & Bridge fund), and the aggregate remaining fund information of the Frio County, as of September 30 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 4 through 11, budgetary comparison – General Fund ,on page 45, and Pension Information on pages 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of the Frio County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the effectiveness of Frio County's financial reporting and compliance and the results of that testing, and is not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Frio County, Texas' internal control over financial reporting and compliance

*Leel & Carter, P.C.*

October 26, 2021

## Frio County, Texas

### Management's Discussion and Analysis (Un audited)

September 30, 2020

This section of Frio County, Texas' (the "County") annual financial report presents our management discussion and analysis of the County's financial performance during the year ended September 30, 2020. Please read it in conjunction with the County's financial statements, which follow this section.

#### **Financial Highlights**

##### *Government-Wide Highlights*

- The County's total combined net position was \$47,660,016 at September 30, 2020.
- During the year, the County's expenses were \$383,146 more than the \$16,884,256 in revenues for governmental activities.
- The total cost of the County's programs increased by \$264,717 from last year's \$17,002,685 program cost.

#### **Overview of the Financial Statements**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) required supplemental information.

##### *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 private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 regarding interfund activity, payables, and receivables.

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. Increases or decreases in net assets contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

# Frio County, Texas

## Management's Discussion and Analysis (Un audited)

September 30, 2020

(Continued)

The statement of activities presents information showing how net assets changed during the most recent fiscal year using the full accrual basis of accounting. 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 in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, justice system, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: Governmental Funds and Fiduciary Funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements however, Governmental funds 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 the County'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 Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the Governmental Funds and governmental activities.

The County maintains 30 individual Governmental Funds (excluding Agency Funds), 25 Special Revenue Funds, 1 Debt Service Fund, and the General Fund. Information is



## Frio County, Texas

### Management's Discussion and Analysis (Un audited)

September 30, 2020

(Continued)

presented separately in the Governmental Funds balance sheet and in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Road and Bridge Fund which are classified as major funds. Data from the other nonmajor Governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget as a management control device during the year for the General Fund and for all Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and the Road and Bridge Fund to demonstrate compliance with the budget.

#### *Fiduciary Funds*

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations and must ensure the assets reported in these funds are used for their intended purposes.

#### *Notes to 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.

#### *Required Supplemental Information*

In addition to the basic financial statements and accompanying notes, this report presents certain required supplemental information concerning the County's major funds, the General Fund and the Road and Bridge Fund, budgetary comparison schedules. Also presented is a schedule of funding progress for the County's pension plan.

#### **Financial Analysis of the County as a Whole**

Of the County's total assets of \$49,528,120 the largest components are 1) cash and investments of \$19,214,205 or 39%, 2) receivables (net of allowance for doubtful accounts) of \$2,956,294 or 6%, 3) prepaid expenses of \$197,055 or 0% and 4) capital assets (net of accumulated depreciation) of \$27,160,566 or 55%. Capital assets are nonliquid and cannot be utilized to satisfy County obligations.

**Frio County, Texas**

**Management's Discussion and Analysis (Un audited)**

September 30, 2020

(Continued)

The County's assets exceeded liabilities by \$47,660,016 as of September 30, 2020.

	<u>Governmental-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 22,367,554	\$ 21,239,048
Capital Assets	27,160,566	28,597,409
Total Assets	<u>49,528,120</u>	<u>49,836,457</u>
Deferred Outflows	655,613	1,707,266
Current Liabilities	958,829	1,050,452
Long Term Liabilities	1,887,966	2,293,978
Total Liabilities	<u>2,846,795</u>	<u>3,344,430</u>
Deferred Inflows	635,751	215,074
Net Position:		
Invested in Capital Assets, Net of Depreciation	27,160,566	28,597,409
Restricted	-	-
Unrestricted	20,499,450	19,386,810
Total Net Position	<u>\$ 47,660,016</u>	<u>\$ 47,984,219</u>

Governmental activities decreased the County's net position by \$383,146. The key component of this decrease is due to depreciation expense of Capital Assets and pension related expense entries in fiscal year 2020.

**Frio County, Texas**

**Management's Discussion and Analysis (Unaudited)**

September 30, 2020

**Financial Analysis of the County as a Whole (continued)**

**Frio County, TX**  
**Changes in Net Assets**  
**Governmental Activities**

Functions/Programs	Expenses	Program Revenues		2020	2019
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position	Net (Expenses) Revenue and Changes in Net Position
<b>Government activities</b>					
General administration	\$ 1,675,614	\$ 94,672	\$ 89,078	\$ (1,491,864)	\$ (1,520,547)
Judicial	1,171,902	66,212	62,300	(1,043,390)	(1,100,988)
Elections	350,043	19,777	18,609	(311,657)	(139,262)
Financial administration	845,363	47,763	44,941	(752,659)	(761,823)
Public facilities	2,147,858	121,354	114,183	(1,912,321)	(1,844,861)
Public safety	4,401,941	248,709	234,014	(3,919,218)	(4,238,126)
Maintenance and operations	3,656,563	206,595	194,388	(3,255,579)	(2,389,900)
Health and welfare	407,292	23,012	21,652	(362,628)	(484,743)
Conservation - agriculture	137,089	7,746	7,288	(122,056)	(121,437)
Corrections	289,687	16,367	15,400	(257,920)	(275,475)
Administration	296,661	16,761	15,771	(264,129)	(259,544)
Infrastructure	1,887,389	106,637	100,336	(1,680,415)	(1,640,331)
<b>Total governmental activities</b>	<b>\$ 17,267,402</b>	<b>\$ 975,606</b>	<b>\$ 917,960</b>	<b>\$ (15,373,836)</b>	<b>\$ (14,777,037)</b>
<b>General revenues:</b>					
Taxes				14,309,534	13,318,095
Interest				226,489	129,019
Jail Revenues				26,200	24,619
Miscellaneous				428,467	299,092
<b>Total general revenues</b>				<b>14,990,690</b>	<b>13,770,825</b>
<b>Increase in net position</b>				<b>(383,146)</b>	<b>(1,006,212)</b>
<b>Net Position at beginning of year</b>				<b>47,984,219</b>	<b>49,065,424</b>
<b>Prior period Adjustment</b>				<b>58,943</b>	<b>(74,993)</b>
<b>Net Position at end of year</b>				<b>\$ 47,660,016</b>	<b>\$ 47,984,219</b>

# Frio County, Texas

## Management's Discussion and Analysis

September 30, 2020

(Continued)

### **Financial Analysis of the County's Funds**

#### *General Fund Budgetary Highlights*

The budget is prepared in accordance with financial policies approved by the County Auditor and the Commissioner's Court following a public hearing. The County Auditor is required by policy to present the Commissioner's Court with a balanced budget that contains a no-tax increase assumption as a starting point for budget discussions.

The budget is prepared in accordance with accounting principles generally accepted in the United State of America by the County Auditor and approved by the Commissioner's Court following a public hearing. Appropriated budgets are approved and employed as management control devise during the year. The County maintains strict budgetary controls and sets its appropriations at the line item level for each department. Appropriation transfers may be made between line item or departments only with the approval of the Commissioner's Court.

Over the course of the year, the County revised its budget. Excess of revenues over expenditures was \$303,692 over the final budgeted amounts in the General Fund. The County's revenues were \$225,894 over budgeted amounts and are attributed to an increase in grant revenue for fiscal year 2020.

### **Capital Assets and Debt Administration**

#### Capital assets

Frio County's' investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$27,160,566 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. There was a total decrease in the Frio County's' investment in capital assets for the current fiscal year of 1 percent, which was attributable to adjustments made to Capital Assets based on annual depreciation.

**Frio County, Texas**

**Management's Discussion and Analysis**

**September 30, 2020**

(Continued)

**FRIO COUNTY, TEXAS  
CAPITAL ASSETS**

	<b>Governmental-Type Activities</b>	
	<b>2020</b>	<b>2019</b>
Land	262,691	262,691
Construction in Progress	599,249	-
Buildings and Improvements	8,533,192	8,253,088
Machinery and Equipment	11,946,500	11,304,256
Infrastructure	56,621,672	56,621,672
Less: Accumulated Depreciation	(50,802,738)	(47,844,298)
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 27,160,566</b>	<b>\$ 28,597,409</b>

**Long Term Debt**

The County had no debt outstanding thru fiscal year 2020.

# **Frio County, Texas**

## **Management's Discussion and Analysis**

September 30, 2020

(Continued)

### **Economic Factors and Next Year's Budget and Rates**

The annual budget is developed to provide efficient, effective, and economic uses of the County's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources, and establish its priorities.

The Commissioner's Court adopted the County's 2020-2021 budgets on September 14, 2020. The budget was adopted based on estimated balances that would be available at the end of the fiscal year 2020 and estimated revenues to be received in the fiscal year 2021. The total available resources for all funds for the fiscal year 2021 are \$20,986,290.

For 2020-2021, the property tax rate is \$0.5968 of \$100 assessed taxable valuation. This rate stayed the same as prior year. Tax revenues are budgeted to decrease, due to a decrease in the tax base.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor at (830) 334-0000.

**Frio County, Texas**  
**Statement of Net Position**  
**September 30, 2020**

	Primary Government
	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 17,524,205
Investments	1,690,000
Receivables:	
Ad valorem taxes - net of allowance	2,240,082
Due from other governments	119,816
Due from Agency Funds	596,396
Prepaid expenses	197,055
Capital assets:	
Land	262,691
Construction In Progress	599,249
Building and improvements	8,533,192
Equipment	11,946,500
Infrastructure	56,621,672
Accumulated depreciation	(50,802,738)
<b>Total assets</b>	<b>49,528,120</b>
Deferred Outflow related to Pension Plan	554,014
Deferred Outflow related to OPEB Plan	101,599
<b>Total Deferred Outflow related to Pension &amp; OPEB Plans</b>	<b>655,613</b>
<b>Liabilities</b>	
Accounts payable	568,389
Accrued Wages & Related payable	196,535
Due to other Governments	29,737
Due to Agency Funds	29,312
Compensated absences payable	116,315
Due to others	18,541
Non-Current Liabilities	
Net Pension Liability	604,182
Net OPEB Liability	324,955
<b>Total liabilities</b>	<b>1,887,966</b>
Deferred Inflow related to Pension Plan	613,987
Deferred Inflow related to OPEB Plan	21,764
<b>Deferred Inflows related to Pension</b>	<b>635,751</b>
<b>Net Position</b>	
Invested in capital assets - net of related debt	27,160,566
Unrestricted	20,499,450
<b>Total Net Position</b>	<b>\$ 47,660,016</b>

*The accompanying notes are an integral part of this statement.*

**Frio County, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Government activities				
General administration	\$ 1,675,614	\$ 94,672	\$ 89,078	\$ (1,491,864)
Judicial	1,171,902	66,212	62,300	(1,043,390)
Elections	350,043	19,777	18,609	(311,657)
Financial administration	845,363	47,763	44,941	(752,659)
Public facilities	2,147,858	121,354	114,183	(1,912,321)
Public safety	4,401,941	248,709	234,014	(3,919,218)
Maintenance and operations	3,656,563	206,595	194,388	(3,255,579)
Health and welfare	407,292	23,012	21,652	(362,628)
Conservation - agriculture	137,089	7,746	7,288	(122,056)
Corrections	289,687	16,367	15,400	(257,920)
Administration	296,661	16,761	15,771	(264,129)
Infrastructure	1,887,389	106,637	100,336	(1,680,415)
<b>Total governmental activities</b>	<b>\$ 17,267,402</b>	<b>\$ 975,606</b>	<b>\$ 917,960</b>	<b>\$ (15,373,836)</b>
General revenues:				
Taxes				14,309,534
Interest				226,489
Jail Revenues				26,200
Miscellaneous				428,467
<b>Total general revenues</b>				<b>14,990,690</b>
Increase in net position				(383,146)
Net Position at beginning of year				47,984,219
Prior period Adjustment				58,943
<b>Net Position at end of year</b>				<b>\$ 47,660,016</b>

*The accompanying notes are an integral part of this statement.*



**Frio County, Texas**

**Balance Sheet - Governmental Funds**

September 30, 2020

	<u>General Fund</u>	<u>Road Bridge Fund</u>	<u>Aggregate Remaining Non Major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 11,346,902	\$ 3,506,293	\$ 2,671,010	\$ 17,524,205
Investments	1,000,000	525,000	165,000	1,690,000
Receivables:				
Ad valorem taxes - net of allowance	1,625,226	515,395	99,461	2,240,082
Due from other governments	86,441	19,540	13,835	119,816
Due from other funds	67,289	-	-	67,289
Due from Agency Funds	312,674	132,674	151,048	596,396
Due from others	-	-	-	-
Prepaid expenditures	197,021	34	-	197,055
<b>Total assets</b>	<u>14,635,553</u>	<u>4,698,936</u>	<u>3,100,354</u>	<u>22,434,843</u>
<b>Liabilities</b>				
Accounts payable	404,657	135,436	28,296	568,389
Accrued Wages & Related Payables	196,535	-	-	196,535
Due to other governments	29,737	-	-	29,737
Due to other funds	43,738	23,551	-	67,289
Due to Agency Funds	13,212	-	16,100	29,312
Due to others	8,078	-	10,463	18,541
<b>Total liabilities</b>	<u>695,957</u>	<u>158,987</u>	<u>54,859</u>	<u>909,803</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue _ Property Taxes	1,621,657	487,264	21,208	2,130,129
	<u>1,621,657</u>	<u>487,264</u>	<u>21,208</u>	<u>2,130,129</u>
<b>Fund Balances</b>				
Fund balances				
Committed to Debt Service	-	-	-	-
Unreserved:				
Unassigned	12,317,939	4,052,685	3,024,287	19,394,911
<b>Total fund balances</b>	<u>12,317,939</u>	<u>4,052,685</u>	<u>3,024,287</u>	<u>19,394,911</u>
<b>Total liabilities, Deferred Inflows And Fund Balances</b>	<u>\$ 14,635,553</u>	<u>\$ 4,698,936</u>	<u>\$ 3,100,354</u>	<u>\$ 22,434,843</u>

*The accompanying notes are an integral part of this statement.*

**Frio County, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**

September 30, 2020

<b>Total Fund Balances- Governmental Funds</b>	<b>\$ 19,394,911</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	76,441,707
Accumulated depreciation for capital assets recorded in governmental activities are not reported in the funds	(47,844,298)
Long Term Debt are recorded for governmental activities but not for the funds (Including Countys proportiionate share of the TCRS Pension & OPEB Plans Activity)	(923,585)
Property taxes receivable not available to pay current period's expenditures are deferred in the funds	2,130,129
Compensated Absences are not reported as expenses in the statement of activities	5,484
Capital additions and long term debt payments are not reported as expenses in the statement of activities	1,521,597
Depreciation of capital assets used for governmental activities is not reported in the funds	(2,958,440)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include reclassifying deferred revenues, eliminating interfund transactions, reclassifying the proceeds of bond sales and related costs as an net increase in bonds payable and recognizing the liabilities associated with maturing long term debt and interest. The net effect is to increase(decrease) net position	<u>(107,489)</u>
<b>Net postion of governemental activities - statement of net position</b>	<b><u><u>\$ 47,660,016</u></u></b>

*The accompanying notes are an integral part of this statement.*

## Frio County, Texas

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2020

	General Fund	Road and Bridge Fund	Aggregate Remaining Non Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 10,375,230	\$ 2,564,402	\$ 872,238	\$ 13,811,870
Licenses and permits	-	448,219	-	448,219
Federal grants	-	-	229,863	229,863
State grants	119,158	-	232,773	351,931
Intergovernmental	195,539	34,476	106,151	336,166
Charges for services	46,455	-	8,122	54,577
Fines and forfeitures	298,111	160,303	14,396	472,810
Interest	167,867	36,000	22,622	226,489
Tobacco settlement	2,254	-	-	2,254
Jail Revenues	26,200	-	-	26,200
Miscellaneous	272,820	40,193	113,200	426,213
<b>Total revenues</b>	<b>11,503,634</b>	<b>3,283,593</b>	<b>1,599,365</b>	<b>16,386,592</b>
<b>Expenditures</b>				
Current:				
General administration	1,582,383	-	78,059	1,660,442
Judicial	1,138,240	-	5,861	1,144,101
Elections	348,557	-	-	348,557
Financial administration	839,020	-	-	839,020
Public facilities	2,145,503	-	-	2,145,503
Public safety	4,187,945	-	-	4,187,945
Maintenance and operations	-	3,250,869	765,911	4,016,780
Health and welfare	242,497	-	427,912	670,409
Conservation - agriculture	136,431	-	-	136,431
Corrections	285,087	-	-	285,087
Administration	294,279	-	-	294,279
<b>Total expenditures</b>	<b>11,199,942</b>	<b>3,250,869</b>	<b>1,277,743</b>	<b>15,728,554</b>
Excess (deficiency) of revenues over (under) expenditures	303,692	32,724	321,622	658,038
<b>Other Financing Sources</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Insurance Proceeds	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>303,692</b>	<b>32,724</b>	<b>321,622</b>	<b>658,038</b>
Fund balances at beginning of	11,955,304	4,019,961	2,702,665	18,677,930
Prior Period Adjustment	58,943	-	-	58,943
<b>Fund balances at end of year</b>	<b>\$ 12,317,939</b>	<b>\$ 4,052,685</b>	<b>\$ 3,024,287</b>	<b>\$ 19,394,911</b>

*The accompanying notes are an integral part of this statement.*

**Frio County, Texas**  
**Reconciliation of Statement of Revenues, Expenditures, And**  
**Changes in Fund Balances to The Statement of Activities**

September 30, 2020

<b>Net changes in fund balances - total Governmental Funds</b>	<b>\$ 658,038</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Compensated Absences are not reported as expenses in the statement of activities	5,484
Capital additions and long tem debt payments are not reported as expenses in the statement of activities	1,521,597
Depreciation of capital assets used for governmental activities is not reported in the funds	(2,958,440)
Changes in property taxes receivable not available to pay for current period's expenditures are deferred in the funds	763,045
Current year changes due to GASB 68 (Pension Plan Activity)	(104,521)
Current year changes due to GASB 75 (OPEB Plan Activity)	(2,968)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include reclassifying taxes collected from prior years levies from tax revenues, reclassifying the proceeds of bond sales and related costs as an net increase in bonds payable and recognizing the liabilities associated with maturing long term debt and interest. The net effect is to increase(decrease) net position	(265,381)
<b>Net changes in net position - Statement of Activities</b>	<b>\$ (383,146)</b>

*The accompanying notes are an integral part of this statement.*

**Frio County, Texas**

**Statement of Fiduciary Net Position - Agency Funds**

September 30, 2020

<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,872,684
Due from other funds	-
Due from others	-
Restricted cash	<u>1,350,450</u>
<b>Total assets</b>	<u><u>3,223,134</u></u>
<b>Liabilities</b>	
Payable to state	-
Due to other funds	-
Due to others	<u>3,223,134</u>
<b>Total liabilities</b>	<u><u>\$ 3,223,134</u></u>

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A- Summary of Significant Accounting Policies

The accounting and reporting policies of Frio County, Texas (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 are those promulgated by the Governmental Accounting Standards Board ("GASB") in *Governmental Accounting and Financial Reporting Standards*. The financial report has been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements ~ and Management's Discussion and Analysis -for State and Local Governments*, issued in June 1999, and implemented by the County in fiscal year 2004. The most significant accounting and reporting policies of the County are described in the following notes to financial statements:

The County was organized in 1871. The County operates under a county judge/commissioners court type government and provides the following services throughout the county: public safety (ambulance and law enforcement), maintenance and operations, health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

1. The Reporting Entity

The County considered the guidelines specified by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and GASB Statement No.61, when determining which entities to include in the accompanying basic financial statements. Under these guidelines, the reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and any organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the County's basic financial statements to be misleading or incomplete. It has been determined the reporting entity of the County, effective for the year ended September 30, 2020, includes all of the funds and account groups of the County.

The only other entity that was considered for inclusion in the reporting entity of the County was Frio County Appraisal County (the "Appraisal District"). The Appraisal District was created by state statute to appraise property in the County. It is governed by a publicly elected Board of Directors. The managers of the Appraisal County are responsible to the Board of Directors. This entity is responsible for its own fiscal matters and debt. Consequently, since the Appraisal County is not subject to oversight by the Commissioner's Court and is responsible for its own fiscal matters, the Appraisal County is not included within the scope of these financial statements.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

2. Government-Wide and Fund Financial Statements

The *government-wide financial statements* include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for 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 or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate *fund financial statements* are provided for Governmental Funds and Fiduciary Funds even though the latter are excluded from the government-wide financial statements. The General Fund and Road and Bridge Fund meet the criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue and Debt Service Funds. The combined amounts for these funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances.

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

The *government-wide financial statements* are reported on the economic resources measurement focus and the accrual basis of accounting. This measurement focus is used for the fund financial statements. Revenues are 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. Grants are recognized as revenue when all applicable eligibility imposed by the provider is met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenues include all taxes and grants not restricted to specific programs and interest.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

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

*Governmental Fund level financial statements* are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2020, and became due October 1, 2019 have been assessed to finance the budget of the fiscal year beginning October 1, 2019 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statements at September 30, 2020.

Expenditures generally are recorded when a liability is incurred; however, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major Governmental Funds:

**General Fund** - The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, and intergovernmental revenues. Primary expenditures are for general administration, public safety, public facilities, welfare, and judicial.

**Road and Bridge Fund** - The Road and Bridge Fund is used to account for the revenues restricted for the funding of road repairs and improvements and all related expenditures related to the County's roads.

Other fund type includes a Fiduciary Fund which is considered as a nonmajor fund. Nonmajor funds include Special Revenue Funds (other than Road and Bridge) and Debt Service Funds.

**Fiduciary Fund level financial statements** include Fiduciary Funds which are classified as Agency Funds. The County has only Agency Funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds. Agency Funds do not involve a formal trust agreement. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

4. Budget and Budgetary Accounting

Budgets are adopted for the General Fund and all Special Revenue Funds. The budget is prepared in accordance with accounting principles generally accepted in the United States of America by each department.

Amendments are made during the year on approval by the Commissioner's Court. Expenditure amendments can be made as long as the final amended budget figures do not exceed the County Auditor's estimated revenue and available cash balances. The final amended budget is used in this report. Appropriations for annually budgeted funds lapse at year-end.

The Agency Funds have not been budgeted by the County, as these funds are all custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

5. Prior Period Adjustment

Prior period adjustments of \$58,943 were made to the fund level financial statements in fiscal year 2020 to record un-adopted prior year adjustments to the general fund and aggregate remaining fund.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

6. Cash and Investments

The County's total bank deposits of \$21,960,071 at September 30, 2020 were covered by federal depository or by pledged collateral securities held by the County's bank in the County's name. Such total collateralization and insurance coverage are required by state law. Of the \$21,960,071 in bank deposits \$1,690,000 consisted of non-negotiable certificates of deposits (CDs) whose original maturity is more than 3 months and \$20,270,071 in demand deposits. The CDs are insurable bank deposits, classified as Investments for Financial Statement Reporting purposes. The following is a summary of coverage at September 30, 2020:

Amount insured by Federal Deposit Insurance Corporation ("FDIC")	\$ 250,000
Amount collateralized with securities held by the trust department Of the County's bank in the County's name	<u>27,420,899</u>
Total	\$ <u>27,670,899</u>

State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt securities of the United States, and fully collateralized repurchase agreements. The repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and which requires the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the County. Investments in security repurchase agreements may be made only with state or national banks domiciled in the state of Texas with which the County has signed master repurchase agreements. The County did not have any repurchase agreements at September 30, 2020.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1: Deposits which are insured or collateralized with securities held by the County or by its agent in the County's name.
- Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- Category 3: Deposits which are not collateralized or insured.

Based on these three levels of risk at September 30, 2020, all of the County's cash deposits are classified as category 1.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

7. Allowance for Doubtful Accounts – Delinquent Taxes

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when the County believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by the County and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for doubtful accounts as of September 30, 2020 is \$146,081.

8. Compensated Absences

Vacation leave benefits are accrued by County employees according to guidelines set out in the County's personnel policy.

The County's policy allows for accumulation of sick leave but does not provide for payment of sick leave accruals. Accordingly, since such accumulated amounts are non vesting, unused sick leave was not accrued in the financial statements.

Employees are allowed 10 days of vacation leave annually for years of service of 10 years or less and 15 days for years of service in excess of 10 years, and are paid for any unused vacation leave upon termination of employment. Accumulated vacation benefits are recorded as obligations in the general long-term debt account group since these amounts are not expected to be paid from currently available resources.

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered
- Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements in the amount of \$116,315 for year-end September 30, 2020.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note A - Summary of Significant Accounting Policies (continued)

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. Nonrecurring or nonroutine transfers of equity between funds are reported as additions to or deductions from the fund balance of Governmental Funds. All other legally authorized transfers are treated as operating transfers and are included in the schedule of revenues, expenditures, and changes of fund balances of the Governmental Funds. Interfund balances are eliminated for Government Wide reporting purposes.

11. Capital Assets - Primary Government

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5
Infrastructure	30

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

**Note B Fund Balance**

The County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance**—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance**—amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., Commissioners Court). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- **Assigned fund balance**—amounts the County intends to use for a specific purpose. Intent can be expressed by the Commissioners Court or by an official or body to which the Commissioners Court gives the authority.
- **Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commissioners Court establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). As of September 30, 2020, the County's fund balances are Unassigned. The County's Policy is to consider unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted (committee, assigned or unassigned) classifications could be used. The County's policy is to apply unrestricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net position are available.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note C - Property Taxes

1. Levy and Collection

Property is appraised and lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal review, and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. The County bills and collects its own property taxes. Property taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes become past due February 1 of each year and are subject to interest and penalty charges. The assessed value for the tax roll of October 1, 2019 was \$2,094,139,750.

Collections of the current year's levy are reported as current collections if received by June 30 (within nine months of the October 1 levy date). Collections received thereafter are reported as delinquent collections.

The County's taxes on real property are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. The exception is homestead property belonging to persons 65 years of age or older. Although the County makes little effort to collect taxes on property not otherwise collected, the taxes are generally paid when there is a sale or transfer of the title on the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred until instituted within four years from the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

2. Tax Rates

The Texas Constitution (Article VUI, Section 9) imposes a limit of \$0.80 per \$100 assessed valuation for operating fund purposes (jury, general, permanent improvement, and road and bridge funds), including debt service for courthouse and jail bonds and certificates of indebtedness/obligation against such County funds. The 2020 tax rate for the October 1, 2019 levy was \$0.4240 for the General Fund, \$0.1295 for the Road and Bridge Fund, and \$0.0433 for the Farm-to-Market and Lateral Road Fund for a total of \$0.5968 per \$100 of assessed valuation.

3. Taxes Receivable and Advance Tax Collections

At September 30, all taxes receivable are delinquent and reported in the assets section of the various balance sheets where applicable. Since the County begins to collect taxes for the subsequent calendar year in October, there are no advance tax collections at September 30.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note C - Property Taxes (continued)

3. Taxes Receivable and Advance Tax Collections (continued)

Allowances for uncollectible tax receivables are: General Fund - \$113,373, Road and Bridge Fund -\$23,326, and Lateral Road Fund - \$9,380. These allowances are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

4. Appraisal County

The Texas Legislature in 1979 adopted a comprehensive property tax code (the "Code") which established a county-wide appraisal County and an Appraisal Review Board in each county in the state. The Appraisal County is responsible for the recording and appraisal of property for all taxing units in the County.

The Appraisal County is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and tax units, including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, take legal action. Under the Code, the Commissioner's Court will continue to set County tax rates on property.

Note D-1 – Disaggregated Receivable Balances

Receivables balances as of year-end consisted of due from other governments of \$33,544 which were miscellaneous state grants and property tax receivables, net of allowances for uncollectible accounts of \$2,326,354.

Note D-2 – Deferred Outflows and Inflows and of Resources

The \$655,613 in deferred outflows and \$635,751 in deferred inflows are related to the fiscal year 2020 activity of the county's portion of the retirement system. The \$2,130,129 in deferred inflows (on the fund level basis financial statements) is delinquent property tax revenue as of the of the end of fiscal year 2020.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note E - Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance at October 1, 2019	Additions	Adjustments	Balance at September 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 262,691	\$ -	\$ -	\$ 262,691
Construction in Progress	-	599,249	-	599,249
Capital assets being depreciated:				
Buildings and improvements	8,253,089	280,104	-	8,533,193
Equipment	11,304,256	642,244	-	11,946,500
Infrastructure	56,621,672	-	-	56,621,672
Total capital assets being depreciated	76,179,017	922,348	-	77,101,365
Less accumulated depreciation for:				
Buildings and improvements	4,607,412	196,706	-	4,804,118
Equipment	7,376,462	874,345	-	8,250,807
Infrastructure	35,860,424	1,887,389	-	37,747,813
Total accumulated depreciation	47,844,298	2,958,440	-	50,802,738
Total capital assets being depreciated – net	28,334,719	(2,036,092)	-	26,298,627
Governmental activities capital assets – net	\$ 28,597,410	\$(1,436,843)	\$ -	\$ 27,160,567



Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note E - Capital Assets (continued)

Depreciation expense for the year ended September 30, 2020 was charged to the functions of the primary government as follows:

Governmental Activities:

General administration	\$ 5,001
Judicial	19,415
Public safety	175,779
Maintenance and operations	763,922
Health and Welfare	106,934
Infrastructure	1,887,389
 Total depreciation expense - governmental activities	 \$ 2,958,440

Note F- Operating Leases

The County entered into several operating lease agreements for computers, software, surveillance systems, security scanners, vehicles, and heavy equipment. Future minimum lease payments at September 30, 2020 are as follows:

Year Ending September 30,	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
2020	\$ 102,934	\$ 3,075	\$ 11,840	\$117,849
	\$ 102,934	\$ 3,075	\$ 11,840	\$117,849

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note G - Interfund Transfers, Receivables, and Payables

Interfund receivables and payables at September 30, 2020 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 67,289	\$ 43,738
Road & Bridge Fund	-	23,551
Agency Funds	<u>596,396</u>	<u>29,312</u>
	<u>\$ 663,685</u>	<u>\$ 96,601</u>

The purpose of the interfunds are temporary borrowings amongst the funds, which are expected to be paid back within one year.

Note H - Compensated Absences

Compensated absences are made up of time earned by employees for vacation that would be paid if the employee leaves the County. The following shows the change in compensated absences and the balance due, which is all current, at September 30, 2020:

	<u>Governmental Activities</u>
Beginning balance at October 1, 2019	\$ 121,799
Changes	<u>(5,484)</u>
Ending balance at September 30, 2020	<u>\$ 116,315</u>

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan

Plan Description

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

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

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

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	146
Active employees	138

Funding Policy

The County has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 39.50% of covered payroll for the months of the calendar year in 2019, and 10.28% of covered payroll for the months of the calendar year in 2020.

The deposit rate payable by all employee members for the calendar year 2019 is 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan(cont.)

calculate the employer contribution rate, the actuary does the following:

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

Net Pension Liability

The County's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.00%

Mortality rates for service retirees, as well as the beneficiaries of both service and disability retirees were based on the RP-2000 Combined Male Table with an age set forward of one year and Projection Scale AA for Males, and the RP-2000 Combined Female Table with no age adjustment and Projection Scale AA for Females. For disabled retirees, the RP- 2000 Disabled Male Table with no age adjustment and Projection Scale AA for Males, and the RP-2000 Disabled Female Table with an age set forward of two years and Projection Scale AA for Females are used.

The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 7-10 year time horizon.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan(cont.)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities Developed	7.00%	5.20%
International Equities Emerging	7.00%	5.70%
Investment Grade Bonds	3.00%	-0.20%
High-Yield Bonds	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%

Discount Rate/Depletion of Plan Assets

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

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

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

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

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan (cont.)

alternative methods to determine sufficiency may be applied.

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

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% was used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan (cont.)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	a	b	a - b
Balances as of December 31, 2018	\$ 19,488,428	\$ 17,440,809	\$ 604,182
Changes for the year:			
Service cost	741,224		741,224
Interest on total pension liability	1,597,797		1,597,797
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	8,408		8,408
Effect of assumption changes or inputs	0		0
Refund of contributions	(130,778)	(130,778)	0
Benefit payments	(898,009)	(898,009)	0
Administrative expenses		(15,395)	15,395
Member contributions		411,418	(411,418)
Net investment income		2,864,216	(2,864,216)
Employer contributions		530,729	(530,729)
Other		(152)	152
Balances as of December 31, 2019	<u>\$ 20,807,019</u>	<u>\$ 20,202,837</u>	<u>\$ 604,182</u>

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 23,380,066	\$ 20,807,019	\$ 18,628,213
Fiduciary net position	20,202,837	20,202,837	20,202,837
Net pension liability (asset)	<u>\$ 3,177,229</u>	<u>\$ 604,182</u>	<u>\$ (1,574,624)</u>

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note I - Pension Plan (cont.)

Pension Expense/(Income)

	January 1, 2019 to December 31, 2019
Service cost	\$ 741,224
Interest on total pension liability	1,597,747
Effect of plan changes	0
Administrative expenses	15,395
Member contributions	(411,418)
Expected investment return net of investment expenses	(1,408,647)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(23,217)
Recognition of assumption changes or inputs	17,587
Recognition of investments gains or losses	152,169
Other	152
	680,992
Pension expense / (income)	\$ 680,992

Deferred Inflows / Outflows of Resources

As of December 31, 2019, the deferred inflows and outflows of resources are as follows

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$125,885	\$70,592
Changes of assumptions	0	35,173
Net difference between projected and actual earnings	488,103	-
Contributions made subsequent to measurement date	N/A	448,249

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

Year Ended December 31,	
2020	\$ (124,989)
2021	(170,751)
2022	78,630
2023	(291,113)
2024	-
Thereafter	-



Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB)  
*Plan description.*

- a. Frio County participates in the retiree Group Term Life Program of the Texas County and District (TCDRS) which is statewide, multiple-employer, public employee system.
- b. Benefits provided.
  - 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 and are eligible for the TCDRS 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 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 TCFRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 of each year
- c. Membership information is shown in the chart below.
- 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 Statement 75, as the assets of the GTL fund can be used to pay GTL benefits which are not a 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 (or opt into) coverage as of January 1 each year. The county's contribution rate for the entire GTL program is calculated on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

*Membership Information*

	December 31,2018	December 31,2019
Number of inactive employees entitled to but not yet receiving benefits (i)	25	32
Number of active employees	151	138
Average age of active employees	43.60	47.10
Average length of service in years for active employees	10.60	12.02
<hr/>		
Inactive Employees Receiving Benefits (i)		
Number of Benefit Recipients	49	51

The total OPEB liability as of September 30, 2019, was \$324,955 and was determined by an annual valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

*Discount Rate*

Discount Rate (i)	4.10%	2.74%
Long-Term expected rate of return, net of investment expense	Does not apply	Does not apply
Municipal Bond Rate	4.10%	2.74%

All actuarial assumptions that the total OPEB liability as December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, 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 Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions Changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Investment Rate of Return (Discount rate)	2.74% 20 Year Bond GO index published by the bondbuyer.com as of December 28, 2019.
Cost of Living Adjustment	Does not apply
Disability	The rates of disability used in this valuation were based on a custom table based on TCDRS experience.
Mortality Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Tables for females; projected with 110% of the MP-2014 Ultimate scale after 2014 Frio County, Texas
Service retirees, beneficiaries Non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP_2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled Retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Tables for females, both projected with 110% of the MP-2014 Ultimate scales after 2014.
Retirement	Members eligible for service retirement are assumed to retire at rates based on TCDRS experience as compiled in its customized Table.

	Beginning Date	Ending Date
Valuation Date	December 31, 2018	December 31, 2019
Measurement Date	December 31, 2018	December 31, 2019
Employer's fiscal Year	October 1, 2019	September 30, 2020

**GASB Discount Rate Used**

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

**Employer OPEB Contributions to the Plan**

For GASB 75 purposes, the OPEB plan is not a cost sharing plan as the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the TCDRS Group Term Life (GTL) Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree covered are included under GASB 75.

**2019 Employer OPEB Contributions and Benefit Payments**

The following shows a breakdown of the employer's contributions to the GTL program for the calendar year 2019. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75, so there should be no change in how these amounts are reported.

Coverage Type	2019 GTL Rate	Amount	Financial Reporting
Active Member GTL Benefit	0.20%	\$11,755	No Change from prior year
Retiree GTL Benefit	0.23%	13,518	GASB 75

**Employer OPEB Contributions made Subsequent to Measurement Date**

Employer OPEB contributions made in the fiscal year, but subsequent to the measurement date of December 31, 2019 should be reflected as a deferred outflow as outlined in Appendix C of this report. As previously noted, only contributions to the GTL program for retiree coverage should be included under GASB 75. Therefore, once the total GTL contributions made subsequent to the measurement date have been determined, this amount should be multiplied by the portion attributable to retiree coverage to determine the OPEB contributions made subsequent to the measurement date that should be reported under GASB 75. This proportion is 53.84615%, allocated as follows:

Coverage Type	2019 GTL Rate	Proportion	Financial Reporting
Active Member GTL Benefit	0.18%	46.15385%	No Change from prior year
Retiree GTL Benefit	0.21%	53.84615%	GASB 75

**Sensitivity Analysis**

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.74%, as well as what the Frio County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher 3.74% 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:

	1 % Decrease	Current Discount Rate	1% Increase
	1.74%	2.74%	3.74%
Total OPEB Liability	\$391,094	\$324,955	\$274,193

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note J: Other Post-Employment Benefits – Group Term Life Insurance (OPEB) (Cont.)

The total OPEB Expense for September 30, 2019 was \$29,275.

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$2,602	\$8,212
Changes of Assumptions or Other Inputs	19,162	61,722
Contributions made subsequent to the measurement date(i)	N/A	18,940

Amounts 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,	
2020	\$9,835
2021	9,835
2022	9,835
2023	9,835
2024	9,835
Thereafter	0

Contributions subsequent to the measurement date of \$18,940 reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020.

Frio County, Texas  
Notes to Financial Statements  
September 30, 2020

Note K - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. In 1991, the County entered in a contractual agreement with the Texas Association of Counties, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: public officials' liability, automobile liability, physical damages, general liability, boiler and machinery, property coverage, workers' compensation, and law enforcement liability. The agreement for formation of the Texas Association of Counties provides that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier.

The County continues to carry commercial insurance for other risks of loss including airport premises and product liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement requires the pool to be self-sustaining. It is not possible to estimate the amount of any loss for which the County might be liable.

The Texas Association of Counties has published its own financial report for the year ended September 30, 2020, and it can be obtained from that agency.

Note L- Subsequent Events

Management has evaluated subsequent events of Frio County through October 26, 2021 (the date the financial statements were available to be issued).

Note M - COVID-19 Financial Statements Impact

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the County's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the County's employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the County's financial statements is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**Frio County, Texas**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -**

**Budget to Actual - General Fund - Unaudited**

**Year Ended September 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,400,272	\$ 10,400,272	\$ 10,375,230	\$ (25,042)
Licenses and permits	-	-	-	-
Federal grants	-	-	-	-
State grants	-	-	119,158	119,158
Intergovernmental	187,883	187,883	195,539	7,656
Charges for services	82,890	82,890	46,455	(36,435)
Fines and forfeitures	402,000	402,000	298,111	(103,889)
Interest	53,000	53,000	167,867	114,867
Tobacco settlement	2,500	2,500	2,254	(246)
Jail Revenues	20,500	20,500	26,200	5,700
Miscellaneous	128,695	128,695	272,820	144,125
<b>Total revenues</b>	<b>11,277,740</b>	<b>11,277,740</b>	<b>11,503,634</b>	<b>225,894</b>
<b>Expenditures</b>				
<b>Current:</b>				
General administration	2,095,110	2,095,110	1,582,383	512,727
Judicial	1,316,036	1,316,036	1,138,240	177,796
Elections	353,573	353,573	348,557	5,016
Financial administration	887,190	887,190	839,020	48,170
Public facilities	2,391,720	2,391,720	2,145,503	246,217
Public safety	4,279,332	4,279,332	4,187,945	91,387
Maintenance and operations	-	-	-	-
Health and welfare	192,733	192,733	242,497	(49,764)
Conservation - agriculture	143,916	143,916	136,431	7,485
Corrections	305,050	305,050	285,087	19,963
Administration	321,080	321,080	294,279	26,801
Financial Addressing	-	-	-	-
<b>Total expenditures</b>	<b>12,285,740</b>	<b>12,285,740</b>	<b>11,199,942</b>	<b>1,085,798</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,008,000)</b>	<b>(1,008,000)</b>	<b>303,692</b>	<b>1,311,692</b>
<b>Other Financing Sources</b>				
Operating transfers in	1,008,000	1,008,000	-	(1,008,000)
Operating transfers out	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Insurance Proceeds	-	-	-	-
<b>Total other financing sources</b>	<b>1,008,000</b>	<b>1,008,000</b>	<b>-</b>	<b>(1,008,000)</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>303,692</b>	<b>303,692</b>
<b>Fund balances at beginning of</b>	<b>11,955,304</b>	<b>11,955,304</b>	<b>11,955,304</b>	<b>-</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>58,943</b>	<b>58,943</b>
<b>Fund balances at end of year</b>	<b>11,955,304</b>	<b>\$ 11,955,304</b>	<b>\$ 12,317,939</b>	<b>\$ 362,635</b>

*The accompanying notes are an integral part of this statement.*

**Frio County, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Texas County District Retirement System**  
**Last Ten Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>A. Total pension liability</b>					
Service Cost	\$ 741,224	\$ 655,640	\$ 726,528	\$ 679,128	\$ 701,162
Interest (on the Total Pension Liability)	1,597,747	1,487,434	1,514,427	1,372,832	1,343,783
Changes of benefit terms	-	-	(1,394,294)	(57,376)	(1,551,506)
Difference between expected and actual experience	8,408	66,652	(314,713)	121,470	(317,939)
Changes of assumptions/ (Refund of Contributions)	(130,778)	-	87,934	-	271,689
Benefit payments, including refunds of employee contributions	<u>(898,009)</u>	<u>(841,706)</u>	<u>(921,204)</u>	<u>(663,161)</u>	<u>(690,462)</u>
Net change in total pension liability	1,318,592	1,368,020	(301,322)	1,452,893	(243,273)
Total pension liability - beginning	19,488,428	18,120,409	18,421,732	16,968,840	17,212,112
Total pension liability - ending	<u>\$ 20,807,019</u>	<u>\$ 19,488,428</u>	<u>\$ 18,120,409</u>	<u>\$ 18,421,732</u>	<u>\$ 16,968,839</u>
<b>B. Plan fiduciary net position</b>					
Contributions - employer	\$ 530,729	\$ 476,381	\$ 438,976	\$ 425,658	\$ 435,201
Contributions - employee	411,418	362,858	353,603	350,541	352,591
Net investment income	2,864,216	(331,391)	2,281,879	1,067,821	(168,978)
Benefit payments, including refunds of employee contributions	(898,009)	(841,706)	(921,204)	(663,161)	(690,462)
Administrative Expense	(15,395)	(14,009)	(11,829)	(11,625)	(10,417)
Other	<u>(130,931)</u>	<u>1,866</u>	<u>(1,835)</u>	<u>38,418</u>	<u>35,146</u>
Net change in plan fiduciary net position	2,762,028	(346,001)	2,139,590	1,207,652	(46,919)
Plan fiduciary net position - beginning	17,440,809	17,786,810	15,647,221	14,439,569	14,486,487
Plan fiduciary net position - ending	<u>\$ 20,202,837</u>	<u>\$ 17,440,809</u>	<u>\$ 17,786,811</u>	<u>\$ 15,647,221</u>	<u>\$ 14,439,569</u>
<b>C. Net pension liability</b>	<u>\$ 604,182</u>	<u>\$ 2,047,619</u>	<u>\$ 333,598</u>	<u>\$ 2,774,511</u>	<u>\$ 2,529,270</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	97.10%	89.49%	98.16%	84.94%	85.09%
<b>E. Covered-employee payroll</b>	\$ 5,877,400	\$ 5,183,686	\$ 5,051,474	\$ 5,007,728	\$ 5,037,016
<b>F. Net pension liability as a percentage of covered employee payroll</b>	10.28%	39.50%	6.60%	55.40%	50.21%

\* GASB 68 requires ten years of data to be provided in this schedule, however only last five years currently available.



**Frio County, Texas  
Schedule of Contributions  
Texas County District Retirement System  
Last Ten Years\***

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 530,729	\$ 476,381	\$ 438,976	\$ 425,658	\$ 435,201
Contributions in relation to the actuarially determined contribution	530,729	476,381	438,976	425,658	435,201
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	5,877,400	5,183,686	5,051,474	5,007,728	5,037,016
Contributions as a Percentage of Covered Employee Payroll	11.1%	9.2%	8.7%	8.5%	8.60%

\* GASB 68 requires ten years of data to be provided in this schedule, however only last five years currently available.

**Frio County, Texas**  
**Schedule of Changes Total OPEB Liability and Related Ratios**  
**Texas County District Retirement System**  
**Last Ten Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>A. Total OPEB Liability</b>			
Service Cost	\$ 9,235	\$ 11,549	\$ 9,080
Interest (on the Total OPEB Liability)	10,205	9,123	9,345
Effect of plan changes	-	-	-
Effect of assumption changes	66,109	(26,828)	11,605
Effect of economic/demographic (gains) or losses	6,565	3,837	(4,552)
Benefit payments	<u>(13,518)</u>	<u>(9,849)</u>	<u>(10,103)</u>
Net change in total OPEB liability	78,596	(12,168)	15,375
Total OPEB liability - beginning	<u>246,359</u>	<u>258,527</u>	<u>243,152</u>
Total OPEB liability - ending	<u>\$ 324,955</u>	<u>\$ 246,359</u>	<u>\$ 258,527</u>
Covered-employee payroll	\$ 5,877,400	\$ 5,183,686	\$ 5,051,474
Net pension liability as a percentage of covered employee payroll	5.53%	4.75%	5.12%

\* GASB 75 requires ten years of data to be provided in this schedule, however only last three years currently available.

# LEAL & CARTER, P.C.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED

### IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable County Judge and  
The Commissioners Court of  
Frio County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frio County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Frio County 's basic financial statements and have issued our report thereon dated October 26, 2021.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

## **Internal Control over Financial Reporting (cont.)**

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Findings 2020-01, 2020-02, 2020-03)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Frio County's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We note certain matters that we reported to the management of Frio County in a separate letter dated October 26, 2021

## **Frio County's Response to Findings**

Frio County's response to the findings identified in our audit is described in the accompanying schedule of findings. Frio County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Led & Carter, P.C.*

October 26, 2021

Frio County, Texas

Summary Schedule of Findings (Financial Audit)

Year ended September 30, 2020

**We consider the following to be significant deficiencies:**

**Finding 2020 -01 Inter fund Balances**

Inter fund balances for Fiscal year 2020 did not balance. Additionally supporting documentation for inter fund balances was not available for review, therefore inter fund balances may not be accurately stated.

We recommend inter fund balances be reconciled and accurately reflect inter fund activity in order to ensure financial reports present actual inter fund balances at period end.

Status: Corrective action is in progress in Fiscal Year 2021.

**Finding 2020-02 Agency Fund accounting procedures**

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

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

Status: Corrective action is in progress in Fiscal Year 2021.

**Finding 2020-03: Reconciliations of Significant Accounts**

During our audit, we noted adjusting entries necessary in order to properly report account balances for Pooled Cash, Accounts Receivable, Revenues, Interfund Transfers, and Accounts Payables. Frio County did not appear to have certain control procedures in place during the fiscal year in order to ensure Pooled Cash, Accounts Receivable, Revenues, Interfund Transfers and Accounts Payables had been properly reported.

We recommend Frio County improve its controls by implementing procedures to ensure that all transactions are being reviewed, approved, and properly recorded on a timely basis.

Status: Corrective action is in progress in Fiscal Year 2021.