

COUNTY OF RUNNELS
Annual Financial Report
Year Ended September 30, 2022

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Runnels, Texas, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

Basis of Accounting

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

New Accounting Standard

The County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, described in Note I., J. to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Supplementary Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and total OPEB liability information for the Texas County & District Retirement System are presented to supplement the basic financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

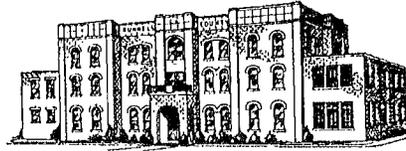
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2023, on our consideration of the County of Runnels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Runnels' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Runnels' internal control over financial reporting and compliance.

Eckert & Company, LLP

May 1, 2023

RUNNELS COUNTY



COMMISSIONERS COURT
RUNNELS COUNTY COURTHOUSE
613 HUTCHINGS AVENUE, ROOM 103
BALLINGER, TEXAS 76821

Julia Miller, County Judge

Carl King, Precinct 1
Brandon Poehls, Precinct 3

Chris Ocker, Precinct 2
Juan Ornales, Precinct 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Runnels' financial performance provides an overview of the County's financial activities for the year ended September 30, 2022, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$7,119,835 (net position). Of this amount, \$4,310,697 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$501,607 or 8% as a result of current year operations. The County's statement of activities shows total revenues of \$8,512,693 and total expenses of \$8,011,086.

The total fund balance of the General Fund is \$2,482,593 which is an increase of \$401,084 or 19% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

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

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and the Special Revenue Fund - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Grant Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Special Revenue Funds, and Debt Service Fund.

Fiduciary Funds - Fiduciary funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. The County's fiduciary funds are custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2022	2021
Current and Other Assets	\$ 6,658,469	\$ 5,443,157
Capital Assets	2,445,000	2,415,820
Total Assets	\$ 9,103,469	\$ 7,858,977
Long-Term Liabilities Outstanding	\$ 103,855	\$ 121,594
Other Liabilities	1,879,779	1,119,155
Total Liabilities	\$ 1,983,634	\$ 1,240,749
Net Position		
Net Investment in Capital Assets	\$ 2,341,145	\$ 2,294,226
Restricted	467,993	466,807
Unrestricted	4,310,697	3,857,195
Total Net Position	\$ 7,119,835	\$ 6,618,228

A portion of the County's net position resulting from modified cash basis transactions (\$2,341,145) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$467,993) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,310,697) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$501,607 and \$842,846 for the fiscal years ended September 30, 2022 and 2021, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 1,385,660	\$ 1,240,480
Operating Grants and Contributions	266,220	594,421
Capital Grants and Contributions	167,289	0
General Revenues		
Maintenance and Operations Taxes	5,546,692	5,209,936
Debt Service Taxes	602	519
Sales Taxes	863,864	695,460
Interest Earnings	68,004	8,103
Other Revenues	214,362	179,385
	<u>\$ 8,512,693</u>	<u>\$ 7,928,304</u>
Expenses		
General Government	\$ 2,181,760	\$ 1,936,782
Roads and Bridges	2,276,569	2,160,796
Justice System	723,784	617,486
Public Safety	1,183,377	982,332
Corrections and Rehabilitation	1,580,972	1,330,434
Public Health and Welfare	44,849	46,053
Culture and Recreation	19,775	11,575
	<u>\$ 8,011,086</u>	<u>\$ 7,085,458</u>
Change in Net Position	\$ 501,607	\$ 842,846
Net Position - Beginning	6,618,228	5,777,350
Prior Period Adjustments	<u>0</u>	<u>(1,968)</u>
Net Position - Ending	<u>\$ 7,119,835</u>	<u>\$ 6,618,228</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$4,778,690, an increase of \$454,688 or 11% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,482,593. All of this balance is unassigned.

Special Revenue Funds \$2,253,566. Of this balance \$1,828,104 is committed to special programs and \$425,462 is restricted by legislation.

Debt Service Fund \$42,531. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$5,096,853, and the final amended budget was \$5,197,808 which represents a \$100,955 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 40 in the supplementary information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$5,282,051 for the fiscal year 2023, which is an increase of \$84,243 from the fiscal year 2022.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended September 30, 2022.

Long-Term Debt - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2022.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Julia Miller, County Judge, County of Runnels, P.O. Box 310, Ballinger, TX 76821-0310.

Basic Financial Statements

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

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,628,340
Due from Other Governments	27,263
Capital Assets:	
Land	63,957
Buildings and Improvements, Net	1,339,598
Machinery and Equipment, Net	951,915
Construction in Progress	89,530
Other Assets	2,866
Total Assets	9,103,469
LIABILITIES	
Unearned Revenue	1,773,478
Other Payables	106,301
Noncurrent Liabilities:	
Due Within One Year	27,945
Due in More Than One Year:	
Financed Purchases	75,910
Total Liabilities	1,983,634
NET POSITION	
Net Investment in Capital Assets	2,341,145
Restricted:	
Restricted for Debt Service	42,531
Restricted by Legislation	425,462
Unrestricted	4,310,697
Total Net Position	\$ 7,119,835

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

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 2,181,760	\$ 221,706	\$ 42,722
Roads and Bridges	2,276,569	678,973	29,146
Justice System	723,784	96,996	44,787
Public Safety	1,183,377	124,709	140,111
Corrections and Rehabilitation	1,580,972	249,419	-
Health and Welfare	44,849	-	9,454
Culture and Recreation	19,775	13,857	-
TOTAL PRIMARY GOVERNMENT	\$ 8,011,086	\$ 1,385,660	\$ 266,220

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Miscellaneous Revenue

Interest Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Primary Government Governmental	
\$	89,530	\$	(1,827,802)
	77,759		(1,490,691)
	-		(582,001)
	-		(918,557)
	-		(1,331,553)
	-		(35,395)
	-		(5,918)
\$	<u>167,289</u>		<u>(6,191,917)</u>

5,546,692
602
863,864
214,362
<u>68,004</u>
<u>6,693,524</u>
501,607
<u>6,618,228</u>
<u>\$ 7,119,835</u>

COUNTY OF RUNNELS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	SLFRF Grant Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,601,730	\$ 1,763,338	\$ 2,263,272	\$ 6,628,340
Due from Other Funds	-	-	27,263	27,263
Due from Other Governments	-	-	27,263	27,263
Other Assets	2,866	-	-	2,866
Total Assets	<u>\$ 2,604,596</u>	<u>\$ 1,763,338</u>	<u>\$ 2,317,798</u>	<u>\$ 6,685,732</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 27,263	\$ 27,263
Unearned Revenue	23,333	1,750,145	-	1,773,478
Other Payables	98,670	-	7,631	106,301
Total Liabilities	<u>122,003</u>	<u>1,750,145</u>	<u>34,894</u>	<u>1,907,042</u>
FUND BALANCES				
Restricted Fund Balance:				
Restricted for Debt Service	-	-	42,531	42,531
Restricted by Legislation	-	-	425,462	425,462
Committed Fund Balance:				
Committed for Jury	-	-	365,032	365,032
Committed for Roads and Bridges	-	-	1,204,670	1,204,670
Committed for Permanent Improvements	-	-	215,612	215,612
Committed for Special Programs	-	13,193	29,597	42,790
Unassigned Fund Balance	2,482,593	-	-	2,482,593
Total Fund Balances	<u>2,482,593</u>	<u>13,193</u>	<u>2,282,904</u>	<u>4,778,690</u>
Total Liabilities and Fund Balances	<u>\$ 2,604,596</u>	<u>\$ 1,763,338</u>	<u>\$ 2,317,798</u>	<u>\$ 6,685,732</u>

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

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	4,778,690
Capital assets used in governmental activities and long-term liabilities are not reported in the governmental funds financial statements. The net effect of these adjustments is to increase (decrease) net position.		2,294,226
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		417,300
Depreciation expense is not recognized in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(388,120)
Various other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The net effect of these adjustments is to increase (decrease) net position.		17,739
Net Position of Governmental Activities	\$	7,119,835

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

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

	General Fund	SLFRF Grant Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 4,517,483	\$ -	\$ 1,893,675	\$ 6,411,158
Fees and Fines	219,835	-	747,401	967,236
Intergovernmental	444,107	243,517	141,704	829,328
Interest	33,457	12,918	21,629	68,004
Miscellaneous	63,705	-	175,769	239,474
Total Revenues	<u>5,278,587</u>	<u>256,435</u>	<u>2,980,178</u>	<u>8,515,200</u>
EXPENDITURES:				
Current:				
General Government	1,981,620	104,138	274,797	2,360,555
Roads and Bridges	-	5,379	2,270,576	2,275,955
Justice System	454,116	-	267,787	721,903
Public Safety	1,048,333	125,000	15,905	1,189,238
Corrections and Rehabilitation	1,383,770	-	100,216	1,483,986
Health and Welfare	36,683	-	10,211	46,894
Culture and Recreation	10,775	9,000	-	19,775
Total Expenditures	<u>4,915,297</u>	<u>243,517</u>	<u>2,939,492</u>	<u>8,098,306</u>
Excess of Revenues Over Expenditures	<u>363,290</u>	<u>12,918</u>	<u>40,686</u>	<u>416,894</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Right-to-Use Leases	<u>37,794</u>	-	-	<u>37,794</u>
Total Other Financing Sources (Uses)	<u>37,794</u>	-	-	<u>37,794</u>
Net Change in Fund Balances	401,084	12,918	40,686	454,688
Fund Balance - October 1 (Beginning)	<u>2,081,509</u>	<u>275</u>	<u>2,242,218</u>	<u>4,324,002</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,482,593</u>	<u>\$ 13,193</u>	<u>\$ 2,282,904</u>	<u>\$ 4,778,690</u>

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

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	454,688
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		419,807
Depreciation is not recognized as an expense in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(388,120)
Various other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The net effect of these adjustments is to increase (decrease) net position.		15,232
Change in Net Position of Governmental Activities	<u>\$</u>	<u>501,607</u>

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

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

	Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 240,946
Total Assets	<u>240,946</u>
LIABILITIES	
Due to Other Governments	29,798
Due to Others	67,766
Total Liabilities	<u>97,564</u>
NET POSITION	
Restricted for Custodial Purposes	143,382
Total Net Position	<u>\$ 143,382</u>

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

COUNTY OF RUNNELS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Custodial Funds
<hr/>	
ADDITIONS:	
Property Taxes	\$ 17,448,202
Fines and Fees	2,394,615
Bond and Registry Accounts	53,823
Interest	2,261
Total Additions	<u>19,898,901</u>
DEDUCTIONS:	
Property Taxes Remitted to Entities	17,331,084
State and County Fines and Fees	2,273,221
Bond and Registry Accounts	28,643
Collection Fees	132,539
Miscellaneous	2,458
Corrections and Rehabilitation	105,160
Total Deductions	<u>19,873,105</u>
Net Change in Fiduciary Net Position	25,796
Total Net Position - October 1 (Beginning)	<u>117,586</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 143,382</u></u>

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

COUNTY OF RUNNELS
Notes to the Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Runnels, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Runnels, Texas, was organized by an Act of the Texas Legislature in 1880. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates 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 or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Special Revenue Fund - SLFRF Grant Fund - This Fund accounts for the revenues and expenditures for the Coronavirus State and Local Fiscal Recovery Funds provided under the American Rescue Plan for response and recovery related to the COVID -19 public health emergency.

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the County or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds account for assets held by the County in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the County's own programs.

The County has the following Fiduciary Funds:

Custodial Funds - These Funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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	20-30
Machinery and Equipment	5-10

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

F. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Sick leave accumulates but does not vest. Vacation leave does not accumulate or vest. Employees who retire or voluntarily terminate employment will be paid for 50 days of unused sick leave if they have worked for the County for more than eight years and have accumulated more than 50 days of sick leave. Employees who voluntarily terminate employment will be paid for any unused vacation leave.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Net Position on the Statement of Net Position - Continued

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Debt Service, or Restricted by Legislation.

I. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

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

Restricted net position for custodial purposes represents the net position available in the custodial funds for distribution to individuals, private organizations, and other governments.

J. Implementation of New Accounting Standard

The County implemented the provisions of GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized outflows of resources or inflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County determined there was no impact upon its financial position, results of operations, or cash flows upon adoption due to reporting on the modified cash basis of accounting.

K. Property Tax Revenues

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

Property taxes are recognized as revenues when they are collected.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2022, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Due from Other Governments

The County participates in a variety of federal and state programs from which it receives funds to partially or fully finance certain activities. Amounts due from other governments are summarized as follows:

Nonmajor Road and Bridge Fund - CTIF Grant \$ 27,263

C. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
Nonmajor Governmental Funds			
Nonmajor Governmental Funds	<u>\$ 27,263</u>	<u>\$ 27,263</u>	Operating Advance

All amounts due are expected to be repaid within one year.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 63,957	\$ 0	\$ 0	\$ 63,957
Buildings and Improvements	5,789,085	163,366	0	5,952,451
Machinery and Equipment	3,752,576	166,911	(117,144)	3,802,343
Construction in Progress	<u>0</u>	<u>89,530</u>	<u>0</u>	<u>89,530</u>
Total Capital Assets	<u>\$ 9,605,618</u>	<u>\$ 419,807</u>	<u>\$ (117,144)</u>	<u>\$ 9,908,281</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (4,450,709)	\$ (162,144)	\$ 0	\$ (4,612,853)
Machinery and Equipment	<u>(2,739,089)</u>	<u>(225,976)</u>	<u>114,637</u>	<u>(2,850,428)</u>
Total Accumulated Depreciation	<u>\$ (7,189,798)</u>	<u>\$ (388,120)</u>	<u>\$ 114,637</u>	<u>\$ (7,463,281)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,415,820</u>	<u>\$ 31,687</u>	<u>\$ (2,507)</u>	<u>\$ 2,445,000</u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 108,475
Roads and Bridges	119,054
Justice System	1,881
Public Safety	34,199
Corrections and Rehabilitation	116,816
Public Health and Welfare	<u>7,695</u>
Total	<u>\$ 388,120</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
SLFRF Grant Funds	\$ 1,750,145
County Attorney Supplementary Funds	23,333
Total	\$ 1,773,478

F. Long Term Debt

Financed Purchases

The County's outstanding financing agreements are all direct placement financing and are payable from the General Fund, the Road and Bridge Funds, and the Paving Fund, are as follows:

Payable from the General Fund

Financed purchase to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. ²	\$ 9,002
Financed purchase to finance the acquisition of a 2019 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 4.3%. ²	9,003
Financed purchase to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. ²	17,172
Financed purchase to finance the acquisition of a 2020 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 2.85%. ²	17,311
Financed purchase to finance the acquisition of a 2022 Chevrolet Silverado. Payable to American National Leasing in annual installments with an interest rate of 2.75%. ²	35,692
Financed purchase to finance the acquisition of a 2022 Chevrolet Silverado. Payable to American National Leasing in annual installments with an interest rate of 2.75%. ²	42,254
Financed purchase for the purchase of hardware and software for the Election's Department. Payable to First Financial Bank in yearly installments with an interest rate of 3.331%. ⁴	65,312 ⁵
Financed purchase for the purchase of hardware and software for the Election's Department. Payable to First Financial Bank in yearly installments with an interest rate of 3.381%. ⁴	38,543 ⁵
Total Payable from the General Fund	\$ 234,289

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Long Term Debt - Continued

Financed Purchases - Continued

Payable from the Road and Bridge Funds

Financed purchase to finance the acquisition of a 2021 John Deere 672G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³	\$ 243,404
Financed purchase to finance the acquisition of a 2021 John Deere 544 Wheel Loader. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³	102,147
Financed purchase to finance the acquisition of a 2018 John Deere 672G Motor Grader. Payable to Deere Credit, Inc., in annual installments with an interest rate of 3.5%. ³	159,333
Financed purchase to finance the acquisition of a 2014 John Deere 750K DOZER. Payable to First National Bank, in annual installments with an interest rate of 3%. ³	50,263
Financed purchase to finance the acquisition of a 2014 John Deere 672GXDW Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.75%. ³	80,362
Financed purchase to finance the acquisition of a 2009 John Deere 770D Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.75%. ³	13,876
Financed purchase to finance the acquisition of a 2020 Kubota Tractor. Payable to First Financial Bank in annual installments with an interest rate of 3.299%. ¹	45,477
Financed purchase to finance the acquisition of 2009 Mack Water Truck. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³	18,111
Financed purchase to finance the acquisition of 2019 Mack Water Truck. Payable to First National Bank, in annual installments with an interest rate of 3.95%. ³	85,300
Financed purchase to finance the acquisition of 2016 Case Farmall Tractor. Payable to First National Bank, in annual installments with an interest rate of 2.65%. ³	62,779
Financed purchase to finance the acquisition of 2022 John Deere 310SL Backhoe. Payable to First National Bank, in annual installments with an interest rate of 4.16%. ³	<u>82,299</u>

Total Payable from Road and Bridge Funds	<u>\$ 943,351</u>
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Payable from the Paving Fund

Financed purchase to finance the acquisition of a 2016 Entyre K7201 Chipspreader. Payable to American National Leasing Co., in annual installments with an interest rate of 2.75%. ³	<u>\$ 30,471</u>
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Total Financed Purchases Payable	<u><u>\$ 1,208,111</u></u>
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COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Long Term Debt - Continued

Financed Purchases - Continued

Future minimum financed purchase payments are as follows:

Year Ending September 30,	Financed Purchases (Direct Placement)		Total
	Principal	Interest	
2023	\$ 428,431	\$ 32,474	\$ 460,905
2024	245,511	23,086	268,597
2025	212,592	16,159	228,751
2026	272,602	9,622	282,224
2027	48,975	1,799	50,774
Totals	<u>\$ 1,208,111</u>	<u>\$ 83,140</u>	<u>\$ 1,291,251</u>

Right-to-Use Lease

The County, as a lessee, has entered into a right-to-use lease agreement for telephone equipment. The outstanding right-to-use lease is payable from the General Fund as follows:

Year Ending September 30,	
2023	<u>\$ 7,634</u>

The following is a summary of the changes in long-term debt for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance
Right-to-Use Lease	\$ 15,962	\$ 0	\$ 8,328	\$ 7,634
Financed Purchases	<u>1,218,945</u>	<u>347,864</u>	<u>358,698</u>	<u>1,208,111</u>
Totals	<u>\$ 1,234,907</u>	<u>\$ 347,864</u>	<u>\$ 367,026</u>	<u>\$ 1,215,745</u>

¹ The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

² The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property.

³ The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property or to file suit, action or special proceeding as permitted by law.

⁴ The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

⁵ The financing proceeds for this purchase were received by the County and accordingly paid to the Vendor. Under the modified cash basis of accounting these leases are recorded on the Statement of Net Position as a liability.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate of 9.25% in both 2021 and 2022 that exceeded the actuarially determined rates of 5.71% and 5.59%, respectively, as allowed by the provisions of the TCDRS Act.

The deposit rate payable by the employee members for calendar year 2022 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2021 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2021 Summary Valuation Report for further details.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (Level Percent of Pay)
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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.5%
Salary Increases	4.7%
Investment Rate of Return	7.6% (Gross of Administrative Expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 135% for males and 120% for females of the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 135% for males and 120% for females of the Pub-2010 General Retirees Amount-Weighted Mortality Table. Disabled retirees are based on 160% for males and 125% for females of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table. All of the rates are projected with 100% of the MP-2021 Ultimate scale after 2010.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

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

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

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

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

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

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

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

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

<u>Changes in Net Pension Liability (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Fiduciary Net Position</u> (b)	<u>Net Pension Liability (Asset)</u> (a) - (b)
Balance as of December 31, 2020	\$ 14,483,834	\$ 15,224,168	\$ (740,334)
Changes for the Year:			
Service Cost	\$ 338,177	\$ 0	\$ 338,177
Interest on Total Pension Liability	1,090,355	0	1,090,355
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	(50,980)	0	(50,980)
Effect of Assumptions Changes or Inputs	(140,466)	0	(140,466)
Refund of Contributions	(70,464)	(70,464)	0
Benefit Payments	(897,734)	(897,734)	0
Administrative Expenses	0	(9,730)	9,730
Member Contributions	0	199,498	(199,498)
Net Investment Income	0	3,285,948	(3,285,948)
Employer Contributions	0	263,626	(263,626)
Other	0	(10,117)	10,117
Net Changes	<u>\$ 268,888</u>	<u>\$ 2,761,027</u>	<u>\$ (2,492,139)</u>
Balance as of December 31, 2021	<u>\$ 14,752,722</u>	<u>\$ 17,985,195</u>	<u>\$ (3,232,473)</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

	<u>1% Decrease in Discount Rate (6.6%)</u>	<u>Current Discount Rate (7.6%)</u>	<u>1% Increase in Discount Rate (8.6%)</u>
Total Pension Liability	\$ 16,278,633	\$ 14,752,722	\$ 13,430,250
Fiduciary Net Position	<u>17,985,195</u>	<u>17,985,195</u>	<u>17,985,195</u>
Net Pension Liability (Asset)	<u>\$ (1,706,562)</u>	<u>\$ (3,232,473)</u>	<u>\$ (4,554,945)</u>

Pension Expense (Income) - The following presents the components of pension expense (income):

<u>Pension Expense (Income)</u>	<u>January 1, 2021 to December 31, 2021</u>
Service Cost	\$ 338,177
Interest on Total Pension Liability	1,090,355
Effect of Plan Changes	0
Administrative Expenses	9,730
Member Contributions	(199,498)
Expected Investment Return Net of Investment Expenses	(1,137,455)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(83,687)
Recognition of Assumption Changes or Inputs	175,805
Recognition of Investment Gains or Losses	(604,409)
Other	<u>10,117</u>
Total Pension Expense (Income)	<u>\$ (400,865)</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Outflows/Deferred Inflows of Resources - As of September 30, 2022, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 106,394
Changes in Assumptions	222,626	93,644
Net Differences Between Projected and Actual Earnings	-	2,084,280
Contributions Made Subsequent to Measurement Date	155,077	-
Totals	\$ 377,703	\$ 2,284,318

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 Ending September 30,	Pension Expense Amount
2022	\$ (362,138)
2023	(773,326)
2024	(496,531)
2025	(429,697)
2026	0
Thereafter	0

The net pension liability (asset), deferred resource outflows, and deferred resource inflows related to the pension liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

B. Other Postemployment Benefits (OPEB)

Plan Description - The County participates in the Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. 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 TCERS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Employees Covered by Benefit Terms - At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	71
Inactive Employees Entitled to But Not Yet Receiving Benefits	11
Active Employers	<u>85</u>
Total	<u><u>167</u></u>

Total OPEB Liability - The County's total OPEB liability of \$377,462 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Level Percent of Salary
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
Investment Rate of Return (Discount Rate)	2.06%

The TCDRS GTL program is treated as an 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 2.06% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021. At transition, GASB 75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the total OPEB liability as of December 31, 2020, using a discount rate of 2.12% as of December 31, 2020.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Mortality rates were based on the following criteria:

Depositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Non-Depositing Members	135% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the 2021 Ultimate scale after 2010.
Disabled Retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the 2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2021, were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 75.

Changes in Total OPEB Liability - The following presents the increases (decreases) in total OPEB liability:

Changes in Total OPEB Liability	
Balance as of December 31, 2020	<u>\$ 373,046</u>
Changes for the Year:	
Service Cost	\$ 10,234
Interest on Total OPEB Liability	8,002
Changes of Benefit Terms	0
Effect of Economic/Demographic Experience	(9,643)
Effect of Assumptions Changes or Inputs	7,508
Benefit Payments	(11,685)
Other	<u>0</u>
Net Changes	<u>\$ 4,416</u>
Balance as of December 31, 2021	<u><u>\$ 377,462</u></u>

Changes of assumptions or other inputs reflect a change in the discount rate from 2.12% in 2020 to 2.06% in 2021.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Sensitivity Analysis - The following presents the total OPEB liability of the County, calculated using the discount rate of 2.06%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate. 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 in Discount Rate (1.06%)	Current Discount Rate (2.06%)	1% Increase in Discount Rate (3.06%)
Total OPEB Liability	<u>\$ 443,863</u>	<u>\$ 377,462</u>	<u>\$ 324,395</u>

OPEB Expense (Income) - The following presents the components of OPEB expense (income):

<u>OPEB Expense (Income)</u>	<u>January 1, 2021 to December 31, 2021</u>
Service Cost	\$ 10,234
Interest on Total OPEB Liability	8,002
Effect of Plan Changes	0
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(4,186)
Recognition of Assumption Changes or Inputs	20,480
Other	<u>0</u>
Total OPEB Expense (Income)	<u>\$ 34,530</u>

Deferred Outflows/Deferred Inflows of Resources - As of September 30, 2022, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 389	\$ 8,861
Changes in Assumptions	37,468	-
Contributions Made Subsequent to Measurement Date	<u>14,400</u>	<u>-</u>
Totals	<u>\$ 52,257</u>	<u>\$ 8,861</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

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

Year Ending <u>September 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ 22,255
2023	7,274
2024	(533)
2025	0
2026	0
Thereafter	0

The total OPEB liability (asset), deferred resource outflows, and deferred resource inflows related to the total OPEB liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

C. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and heavy equipment.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2022

IV. OTHER INFORMATION - Continued

C. Self-Insurance - Continued

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund provides coverage for property damage.

D. Subsequent Events

The County's management has evaluated subsequent events through May 1, 2023, the date which the financial statements were available for issue.

Supplementary Information

COUNTY OF RUNNELS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,227,985	\$ 4,240,985	\$ 4,517,483	\$ 276,498
Fees and Fines	201,650	201,650	219,835	18,185
Intergovernmental	406,136	437,776	444,107	6,331
Interest	3,500	3,500	33,457	29,957
Miscellaneous	41,300	47,977	63,705	15,728
Total Revenues	<u>4,880,571</u>	<u>4,931,888</u>	<u>5,278,587</u>	<u>346,699</u>
EXPENDITURES:				
Current:				
General Government	2,034,131	2,088,448	1,981,620	106,828
Justice System	478,685	476,371	454,116	22,255
Public Safety	1,100,683	1,115,417	1,048,333	67,084
Corrections and Rehabilitation	1,420,221	1,454,439	1,383,770	70,669
Health and Welfare	52,358	52,358	36,683	15,675
Culture and Recreation	10,775	10,775	10,775	-
Total Expenditures	<u>5,096,853</u>	<u>5,197,808</u>	<u>4,915,297</u>	<u>282,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(216,282)</u>	<u>(265,920)</u>	<u>363,290</u>	<u>629,210</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Right-to-Use Leases	-	37,794	37,794	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>37,794</u>	<u>37,794</u>	<u>-</u>
Net Change in Fund Balances	(216,282)	(228,126)	401,084	629,210
Fund Balance - October 1 (Beginning)	<u>2,081,509</u>	<u>2,081,509</u>	<u>2,081,509</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,865,227</u>	<u>\$ 1,853,383</u>	<u>\$ 2,482,593</u>	<u>\$ 629,210</u>

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
A. Total Pension Liability			
Service Cost	\$ 338,177	\$ 299,439	\$ 283,876
Interest (on the Total Pension Liability)	1,090,355	1,085,976	1,046,885
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(50,980)	(217,223)	17,140
Changes of Assumptions	(140,466)	667,880	-
Benefit Payments, Including Refunds of Employee Contributions	(968,198)	(902,254)	(860,271)
Net Change in Total Pension Liability	\$ 268,888	\$ 933,818	\$ 487,630
Total Pension Liability - Beginning	14,483,834	13,550,016	13,062,386
Total Pension Liability - Ending	\$ 14,752,722	\$ 14,483,834	\$ 13,550,016
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 263,626	\$ 267,846	\$ 253,627
Contributions - Employee	199,498	202,690	191,933
Net Investment Income	3,285,948	1,467,227	2,066,677
Benefit Payments, Including Refunds of Employee Contributions	(968,198)	(902,254)	(860,271)
Administrative Expense	(9,730)	(11,140)	(10,829)
Other	(10,117)	(11,366)	(12,219)
Net Change in Plan Fiduciary Net Position	\$ 2,761,027	\$ 1,013,003	\$ 1,628,918
Plan Fiduciary Net Position - Beginning	15,224,168	14,211,165	12,582,247
Plan Fiduciary Net Position - Ending	\$ 17,985,195	\$ 15,224,168	\$ 14,211,165
C. Net Pension Liability (Asset)	\$ (3,232,473)	\$ (740,334)	\$ (661,149)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	121.91%	105.11%	104.88%
E. Covered Payroll	\$ 2,849,972	\$ 2,895,577	\$ 2,741,899
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(113.42%)	(25.57%)	(24.11%)

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 269,760	\$ 277,810	\$ 306,522	\$ 278,520	\$ 286,024
1,022,582	982,730	952,025	922,324	889,693
-	-	-	(16,414)	-
-	(91,006)	(259,615)	(175,323)	(128,677)
(184,843)	101,691	-	136,483	-
(784,376)	(758,472)	(736,748)	(730,913)	(669,020)
\$ 323,123	\$ 512,753	\$ 262,184	\$ 414,677	\$ 378,020
12,739,263	12,226,510	11,964,326	11,549,649	11,171,629
\$ 13,062,386	\$ 12,739,263	\$ 12,226,510	\$ 11,964,326	\$ 11,549,649
\$ 244,545	\$ 226,117	\$ 235,085	\$ 232,393	\$ 225,919
185,061	171,114	177,900	175,863	170,965
(249,994)	1,724,823	842,493	213,800	779,631
(784,376)	(758,472)	(736,748)	(730,913)	(669,020)
(10,106)	(8,783)	(9,286)	(8,369)	(8,837)
(9,243)	(4,924)	(202,208)	(49,566)	(17,350)
\$ (624,113)	\$ 1,349,875	\$ 307,236	\$ (166,792)	\$ 481,308
13,206,360	11,856,486	11,549,250	11,716,042	11,234,734
\$ 12,582,247	\$ 13,206,361	\$ 11,856,486	\$ 11,549,250	\$ 11,716,042
\$ 480,139	\$ (467,098)	\$ 370,024	\$ 415,076	\$ (166,393)
96.32%	103.67%	96.97%	96.53%	101.44%
\$ 2,643,724	\$ 2,444,483	\$ 2,541,429	\$ 2,512,323	\$ 2,442,356
18.16%	(19.11%)	14.56%	16.52%	(6.81%)

COUNTY OF RUNNELS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2022

	2022	2021	2020
Actuarially Determined Contribution	\$ 187,262	\$ 179,016	\$ 183,433
Contributions in Relation to the Actuarially Determined Contributions	(232,282)	(255,774)	(258,561)
Contribution Deficiency (Excess)	<u>\$ (45,020)</u>	<u>\$ (76,758)</u>	<u>\$ (75,128)</u>
Covered Employee Payroll	\$ 3,050,010	\$ 2,765,095	\$ 2,795,232
Contributions as a Percentage of Covered Employee Payroll	7.62%	9.25%	9.25%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2019	2018	2017	2016	2015
\$	192,170	\$ 197,527	\$ 195,054	\$ 226,739	\$ 232,498
	(251,412)	(241,886)	(228,339)	(236,988)	(232,498)
\$	(59,242)	\$ (44,359)	\$ (33,285)	\$ (10,249)	\$ -
\$	2,717,968	\$ 2,614,968	\$ 2,468,498	\$ 2,562,002	\$ 2,513,462
	9.25%	9.25%	9.25%	9.25%	9.25%

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
Total OPEB Liability			
Service Cost	\$ 10,234	\$ 9,917	\$ 6,820
Interest on the Total OPEB Liability	80,020	9,268	11,026
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(9,643)	(3,259)	1,562
Changes of Assumptions	7,508	34,491	58,365
Benefit Payments*	(11,685)	(11,293)	(11,790)
Net Change in Total OPEB Liability	4,416	39,124	65,983
Total OPEB Liability - Beginning	373,046	333,922	267,939
Total OPEB Liability - Ending	<u>\$ 377,462</u>	<u>\$ 373,046</u>	<u>\$ 333,922</u>
Covered Payroll	\$ 2,849,972	\$ 2,895,577	\$ 2,741,899
Total OPEB Liability as a Percentage of Covered Payroll	13.24%	12.88%	12.18%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
\$	8,609	\$ 7,891
	10,035	10,439
	-	-
	(2,526)	(3,606)
	(26,094)	9,559
	(10,311)	(8,556)
	(20,287)	15,727
	288,226	272,499
\$	267,939	\$ 288,226
\$	2,643,724	\$ 2,444,483
	10.13%	11.79%

COUNTY OF RUNNELS
Notes to the Supplementary Information
September 30, 2022

Note A - Net Pension Liability

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

Valuation Date	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (Level Percent of Pay)
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	0.0 Years (Based on Contribution Rate Calculated in December 31, 2021 Valuation)
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.5%
Salary Increases	Varies by Age and Service - 4.7% Average Over Career Including Inflation
Investment Rate of Return	7.5%, Net of Administrative and Investment Expenses, Including Inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% for males and 120% for females of the Pub-2010 General Retirees Table, both projected with 100% of the MP-2021 Ultimate scale after 2010
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2021: No changes were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2021: No changes in plan provisions were reflected in the Schedule.

COUNTY OF RUNNELS
Notes to the Supplementary Information - Continued
September 30, 2022

Note B - Total OPEB Liability

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

Actuarial Assumptions - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Level Percent of Salary
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
Investment Rate of Return (Discount Rate)	2.06%

Mortality rates were based on the following criteria:

Depositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Non-Depositing Members	135% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the 2021 Ultimate scale after 2010.
Disabled Retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the 2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2021, were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 75.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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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*

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

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 County of Runnels, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Runnels' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Runnels' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Runnels' 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 County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Runnels' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable County Judge
and Commissioners' Court
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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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

May 1, 2023