

*BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

**COUNTY OF MENARD,
TEXAS**

Menard, Texas

**For the Year Ended
September 30, 2022**

MENARD COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

MENARD COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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NEFFENDORF & BLOCKER, P.C.

Independent Auditor's Report

Honorable Judge and County Commissioners
County of Menard
Menard, TX 76859

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Menard, 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Menard, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and 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 Menard, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

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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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8), budgetary comparison information (pages 41 and 42) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 43 through 47) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of County of Menard, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Menard, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Menard, Texas' internal control over financial reporting and compliance.

Neffendorf + Blocker, P.C.
NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

December 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Menard County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2022. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,349,496 (net position). Of this amount, \$1,100,122 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position increased by \$292,985 as a result of this year's operations.
- At September 30, 2022, the County's governmental funds reported combined ending fund balances of \$1,025,008, a decrease of \$13,560 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12-13 & 15-16) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (General Fund and Road and Bridge Fund) pages 41 & 42, the Schedule of Changes in Net Pension Liability and Related Ratios, page 43, the Schedule of Employer Contributions, page 45 and the Notes to the Schedule of Contributions, page 47 are presented as required supplementary information.

The combining statements (starting on page 48) for nonmajor funds contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, the County has one kind of activity:

- Governmental activity - Most of the County's basic services are reported here, including public safety, roads and bridges, health and human services, culture and recreation, county courts and general administration. Property taxes, user charges, sales tax and grants finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 12-13 & 15-16 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

- Governmental funds - Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the County's governmental activities increased from \$7,056,511 to \$7,349,496. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$1,100,122 at September 30, 2022. This increase in governmental net position was the result of several factors. First, the County's expenditures exceeded the revenues by \$13,560. Second, the County paid principal on long-term debt in the amount of \$201,656. Third, the County recorded depreciation and amortization in the amount of \$360,571. Fourth, the County acquired capital assets in the amount of \$239,833.

Table I
Menard County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2022	2021
Current and Other Assets	\$ 1,911	\$ 1,655
Capital Assets	6,478	6,571
Net Pension Asset	1,067	143
Total Assets	<u>\$ 9,456</u>	<u>\$ 8,369</u>
Deferred Outflow of Resources		
Deferred Outflow Related to Pension	\$ 200	\$ 306
Deferred Charge on Refunding	-	1
Total Deferred Outflows of Resources	<u>\$ 200</u>	<u>\$ 307</u>
Long-Term Liabilities	\$ 774	\$ 772
Other Liabilities	655	561
Total Liabilities	<u>\$ 1,429</u>	<u>\$ 1,333</u>
Deferred Inflows of Resources		
Deferred Inflow Related to Pension	\$ 878	\$ 287
Net Position:		
Net Investment in		
Capital Assets	\$ 5,704	\$ 6,025
Restricted	545	495
Unrestricted	1,100	536
Total Net Position	<u>\$ 7,349</u>	<u>\$ 7,056</u>

Table II
Menard County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2022	2021
Revenues:		
Charges for Services	\$ 1,095	\$ 1,281
Property Taxes	1,934	1,746
Sales Tax	98	116
Other Taxes	44	-
Investment Earnings	1	-
Miscellaneous	168	34
Grants & Contributions - Operating	364	430
Grants & Contributions - Capital	304	93
Total Revenue	\$ 4,008	\$ 3,700
Expenses:		
General Administration	\$ 770	\$ 754
Financial Administration	107	94
Tax Administration	104	92
Facilities Management	76	60
Law Enforcement	894	787
Corrections	212	233
Emergency Management Services	51	15
Roads and Bridges	372	442
Sanitation	32	26
Administration of Justice	503	429
Juvenile Services	188	102
Health and Human Services	167	153
Recreation	13	8
Parks	56	71
Museums	2	2
Libraries	40	44
Conservation and Development	89	96
Bond and Other Interest	23	43
Capital Outlay	16	-
Total Expenses	\$ 3,715	\$ 3,451
Increase (Decrease) in Net Position	\$ 293	\$ 249
Net Position, Beginning	7,056	6,807
Net Position, Ending	\$ 7,349	\$ 7,056

The cost of all governmental activities this year was \$3,716,001. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$1,933,959 because the other costs were paid by sales tax (\$98,408), operating and capital grants (\$668,630), user charges (\$1,094,955) and other miscellaneous (\$213,034).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,025,008, which is less than last year's total of \$1,038,568. Included in this year's total change in fund balance is an increase of \$227,328 in the County's General Fund. The primary reason for the General Fund's increase is due to revenues exceeding expenditures.

The Commissioners' Court adopted the General and Road and Bridge Fund Budgets. The County amended the original budget; actual revenues were more than budgeted amounts in the General Fund and more than budgeted amounts in the Road and Bridge Fund. Actual expenditures were less than the budgeted amounts in the General Fund and less than budgeted amounts in the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2022, the County had \$6,478,117 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements.

CAPITAL ASSETS

in thousands

	Governmental Activities	
	2022	2021
Land	\$ 106	\$ 106
Buildings	7,003	7,003
Improvements	2,144	2,144
Machinery & Equipment	3,013	2,773
Lease Assets	27	-
Total Capital Assets	\$ 12,293	\$ 12,026
Less: Accumulated Depreciation & Amortization	5,815	5,454
Capital Assets, Net	<u>\$ 6,478</u>	<u>\$ 6,572</u>

More detailed information about the County's capital assets is presented in Note 3.F. to the financial statements.

DEBT

At September 30, 2022, the County had the following outstanding debt:

OUTSTANDING DEBT

in thousands

	Governmental Activities	
	2022	2021
Bonds Payable	\$ 755	\$ 900
Leases Payable	19	-
Finance Purchases Payable	-	49
Total Outstanding Debt	<u>\$ 774</u>	<u>\$ 949</u>

At year-end, the County had \$755,000 in tax notes outstanding and \$19,302 in right-to-use leases payable. During the year, the County paid \$201,656 in principal on the outstanding long-term debt.

More detailed information about the County's long-term liabilities is presented in Note 3.G., 3.H. and 3.I. to the

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and tax rates. The major factors are the economy and assessed property valuation. These indicators were taken into account when adopting the budget for 2023. Amounts available for appropriation in the budget are \$3,239,566 and expenditures are estimated to be \$3,466,566.

If these estimates are realized, the County's budgetary fund balances are expected to decrease \$227,000 by the close of 2023.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's office, at Menard County, Texas, Menard, Texas.

BASIC FINANCIAL STATEMENTS

MENARD COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

		Primary Government
		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	572,078
Investments - Current		901,120
Accounts Receivable Net		303,168
Due from Other Governments		94,301
Prepaid Items		40,375
Capital Assets:		
Land Purchase and Improvements		106,000
Buildings, Net		4,530,441
Improvements other than Buildings, Net		1,457,222
Furniture and Equipment, Net		365,082
Right-to-Use Lease Assets		19,372
Net Pension Asset		1,067,322
Total Assets		9,456,481
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge for Refunding		350
Deferred Outflow Related to Pension Plan		200,455
Total Deferred Outflows of Resources		200,805
LIABILITIES		
Accounts Payable		35,139
Intergovernmental Payable		98,407
Accrued Interest Payable		2,258
Unearned Revenues		518,930
Right-to-Use Leases Payable - Current		7,504
Noncurrent Liabilities:		
Due Within One Year		145,000
Due in More Than One Year:		
Bonds Payable - Noncurrent		610,000
Right-to-Use Lease Liabilities - Noncurrent		11,798
Total Liabilities		1,429,036
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan		878,754
Total Deferred Inflows of Resources		878,754
NET POSITION		
Net Investment in Capital Assets and Lease Assets		5,704,165
Restricted:		
Restricted for Special Revenue		226,824
Restricted for Capital Acquisition		285,873
Restricted for Debt Service		32,512
Unrestricted		1,100,122
Total Net Position	\$	7,349,496

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

MENARD COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 770,514	\$ 80,533	\$ 130,971
Financial Administration	106,707	-	-
Tax Administration	104,192	15,340	-
Facilities Management	76,102	11,310	-
Law Enforcement	893,892	750,007	1,280
Corrections	211,566	-	-
Emergency Management Services	51,222	19,175	3,128
Roads and Bridges	372,447	134,222	18,243
Sanitation	31,775	-	-
Administration of Justice	502,506	23,009	-
Juvenile Services	188,228	-	164,445
Health and Human Services	167,063	7,670	46,395
Recreation	12,931	-	-
Parks	55,935	53,689	-
Museums	1,974	-	-
Libraries	40,063	-	-
Conservation and Development	89,416	-	-
Interest on Debt and Right-to-Use Leases	22,843	-	-
Other Debt Service	150	-	-
Capital Outlay	16,475	-	-
TOTAL PRIMARY GOVERNMENT	\$ 3,716,001	\$ 1,094,955	\$ 364,462

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Other Taxes

Penalty and Interest on Taxes

Miscellaneous Revenue

Investment 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	
\$	-	\$	(559,010)
	-		(106,707)
	-		(88,852)
	-		(64,792)
	304,168		161,563
	-		(211,566)
	-		(28,919)
	-		(219,982)
	-		(31,775)
	-		(479,497)
	-		(23,783)
	-		(112,998)
	-		(12,931)
	-		(2,246)
	-		(1,974)
	-		(40,063)
	-		(89,416)
	-		(22,843)
	-		(150)
	-		(16,475)
\$	<u>304,168</u>		<u>(1,952,416)</u>

1,752,178
181,781
98,408
1,286
42,587
168,142
1,019
<u>2,245,401</u>
292,985
<u>7,056,511</u>
<u>\$ 7,349,496</u>

MENARD COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	American Relief Fund	Road and Bridge Fund
ASSETS			
Cash and Cash Equivalents	\$ 217,541	\$ 124,033	\$ 1,000
Investments - Current	421,064	156,992	-
Taxes Receivable	85,009	-	-
Allowance for Uncollectible Taxes (credit)	(2,550)	-	-
Accounts Receivable Net	55,446	-	11,514
Due from Other Governments	13,685	-	4,826
Due from Other Funds	112,470	-	-
Prepaid Items	32,341	-	7,573
Total Assets	\$ 935,006	\$ 281,025	\$ 24,913
LIABILITIES			
Accounts Payable	\$ 29,282	\$ -	\$ 4,208
Intergovernmental Payable	97,927	-	-
Due to Other Funds	101,303	-	-
Unearned Revenues	144,237	281,025	-
Total Liabilities	372,749	281,025	4,208
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	82,458	-	-
Total Deferred Inflows of Resources	82,458	-	-
FUND BALANCES			
Restricted for Capital Acquisition	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	-	20,705
Other Committed Fund Balance	2,581	-	-
Unassigned Fund Balance	477,218	-	-
Total Fund Balances	479,799	-	20,705
Total Liabilities, Deferred Inflows & Fund Balances	\$ 935,006	\$ 281,025	\$ 24,913

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

Operation Lone Star Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ 20,643	\$ -	\$ 208,861	\$ 572,078
-	193,064	130,000	901,120
-	-	10,023	95,032
-	-	(301)	(2,851)
-	-	2,650	69,610
74,262	-	1,528	94,301
-	101,303	8,494	222,267
-	-	461	40,375
<u>\$ 94,905</u>	<u>\$ 294,367</u>	<u>\$ 361,716</u>	<u>\$ 1,991,932</u>
\$ 1,237	\$ -	\$ 412	\$ 35,139
-	-	480	98,407
-	8,494	112,470	222,267
93,668	-	-	518,930
<u>94,905</u>	<u>8,494</u>	<u>113,362</u>	<u>874,743</u>
-	-	9,723	92,181
-	-	9,723	92,181
-	285,873	-	285,873
-	-	32,512	32,512
-	-	206,119	226,824
-	-	-	2,581
-	-	-	477,218
<u>-</u>	<u>285,873</u>	<u>238,631</u>	<u>1,025,008</u>
<u>\$ 94,905</u>	<u>\$ 294,367</u>	<u>\$ 361,716</u>	<u>\$ 1,991,932</u>

MENARD COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	1,025,008
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		5,624,087
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		440,649
The County reported their net pension liability in the Government Wide Statement of Net Position in accordance with GASB Statement No. 68. The items reported as a result of this implementation included a Deferred Resource Outflow of \$200,455, a Net Pension Asset of \$1,067,322 and a Deferred Resource Inflow of \$878,754. The net effect of these is to increase net position by \$389,023.		389,023
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. Please note this includes the amortization on the right-to-use leased assets.		(360,571)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		231,300
Net Position of Governmental Activities	<u>\$</u>	<u>7,349,496</u>

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

MENARD COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	American Relief Fund	Road and Bridge Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,755,399	\$ -	\$ -
General Sales and Use Taxes	98,408	-	-
Other Taxes	1,286	-	-
Penalty and Interest on Taxes	42,038	-	-
Licenses and Permits	11,310	-	-
Intergovernmental Revenue and Grants	255,130	83,608	9,074
Charges for Services	231,482	-	133,370
Fines	685,220	-	-
Forfeits	-	-	-
Investment Earnings	832	-	-
Rents and Royalties	-	-	900
Other Revenue	113,892	-	-
Total Revenues	3,194,997	83,608	143,344
EXPENDITURES:			
Current:			
General Administration	582,805	83,608	41,943
Financial Administration	107,878	-	-
Tax Administration	103,610	-	-
Facilities Management	69,730	-	-
Law Enforcement	628,319	-	-
Corrections	209,639	-	-
Emergency Management Services	50,456	-	-
Roads and Bridges	-	-	361,490
Sanitation	28,967	-	-
Administration of Justice	465,165	-	-
Juvenile Services	188,929	-	-
Health and Human Services	143,000	-	-
Recreation	11,784	-	-
Parks	51,065	-	-
Museums	1,800	-	-
Libraries	39,911	-	-
Conservation and Development	81,296	-	-
Debt Service:			
Principal on Debt and Right-to-Use Leases	39,651	-	-
Interest on Debt and Right-to-Use Leases	2,454	-	-
Other Debt Service	-	-	-
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	2,806,459	83,608	403,433
Excess (Deficiency) of Revenues Over (Under) Expenditures	388,538	-	(260,089)
OTHER FINANCING SOURCES (USES):			
Transfers In	48,596	-	236,773
Transfers Out (Use)	(209,806)	-	(47,816)
Total Other Financing Sources (Uses)	(161,210)	-	188,957
Net Change in Fund Balances	227,328	-	(71,132)
Fund Balance - October 1 (Beginning)	252,471	-	91,837
Fund Balance - September 30 (Ending)	\$ 479,799	\$ -	\$ 20,705

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

Operation Lone Star Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 207,393	\$ 1,962,792
-	-	-	98,408
-	-	-	1,286
-	-	549	42,587
-	-	-	11,310
304,167	-	16,651	668,630
-	-	18,640	383,492
-	-	11,239	696,459
-	-	3,694	3,694
-	187	-	1,019
-	-	-	900
-	-	25,709	139,601
<u>304,167</u>	<u>187</u>	<u>283,875</u>	<u>4,010,178</u>
-	-	-	708,356
-	-	-	107,878
-	-	-	103,610
-	-	156	69,886
286,932	-	5,707	920,958
-	-	-	209,639
-	-	-	50,456
-	-	1,000	362,490
-	-	-	28,967
-	-	26,651	491,816
-	-	-	188,929
-	-	15,690	158,690
-	-	-	11,784
-	-	-	51,065
-	-	-	1,800
-	-	-	39,911
-	-	4,800	86,096
17,005	-	145,000	201,656
171	-	19,724	22,349
-	-	150	150
-	207,252	-	207,252
<u>304,108</u>	<u>207,252</u>	<u>218,878</u>	<u>4,023,738</u>
<u>59</u>	<u>(207,065)</u>	<u>64,997</u>	<u>(13,560)</u>
-	-	11,869	297,238
(59)	(3,112)	(36,445)	(297,238)
(59)	(3,112)	(24,576)	-
-	(210,177)	40,421	(13,560)
-	496,050	198,210	1,038,568
<u>\$ -</u>	<u>\$ 285,873</u>	<u>\$ 238,631</u>	<u>\$ 1,025,008</u>

MENARD COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	(13,560)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase the change in net position.		440,649
The entries required by GASB Statement No. 68 did require that some expenses on Exhibit B-1 be adjusted. Total credits to expense were \$528,920 and total debits to expense were \$301,607. The net effect on the change in net position on Exhibit B-1 is an increase of \$227,313.		227,313
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position. Please note this includes amortization on right-to-use leased assets.		(360,571)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(846)
Change in Net Position of Governmental Activities	\$	292,985

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

MENARD COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2022

	Private Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,958	\$ 593,647
Accounts Receivable Net	20	-
Total Assets	<u>2,978</u>	<u>593,647</u>
NET POSITION		
Restricted for Private Purposes	2,978	-
Restricted for Other Purposes	-	593,647
Total Net Position	<u>\$ 2,978</u>	<u>\$ 593,647</u>

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

MENARD COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT E-2

	Private Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Charges for Services	\$ -	\$ 1,610,166
Other Revenue	140	-
Total Additions	<u>140</u>	<u>1,610,166</u>
DEDUCTIONS:		
Other Operating Costs	-	1,710,964
Total Deductions	<u>-</u>	<u>1,710,964</u>
Net Change in Fiduciary Net Position	140	(100,798)
Total Net Position - October 1 (Beginning)	<u>2,838</u>	<u>694,445</u>
Total Net Position - September 30 (Ending)	<u>\$ 2,978</u>	<u>\$ 593,647</u>

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

MENARD COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Menard County have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

The County Commissioners are elected by registered voters of the County and have oversight responsibility in that they have decision-making authority, the ability to significantly influence operations and primary accountability for fiscal matters. All functions and activities over which the commissioners exercise oversight responsibility have been included in the reporting entity. There are no component units included within the reporting entity.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

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

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds.

Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources that are restricted, committed or assigned to expenditures for the acquisition and construction of major capital facilities and other capital assets.

Fiduciary Funds (Not included in government-wide statements)

Custodial Funds

Custodial funds account for assets held by the County in a purely custodial capacity. The reporting entity includes one custodial fund.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes one private purpose trust fund.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
<u>General Fund</u>	See above for description.
<u>Special Revenue Fund:</u>	
American Relief Fund	Accounts for grant proceeds and related expenditures for funds appropriated from the American Rescue Plan Act (ARPA).
Road & Bridge Fund	Accounts for all road and bridge construction and maintenance activity.
Operation Lone Star Fund	Accounts for grant proceeds and related expenditures for funds appropriated from the Office of the Governor's Operation Lone Star Grant Program.
<u>Capital Projects Fund</u>	Accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Nonmajor funds consist of special revenue funds and the debt service fund and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" 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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Custodial and private purpose trust funds utilize the economic resource measurement focus.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Investments includes certificates of deposit, money market accounts and government investment pools.

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance, and special revenues based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Special Revenue Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable October 1, and are delinquent February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Capital Assets

Government-wide Statements

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year incurred.

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

Compensated Absences

Vacation and Sick Leave - Vacation and sick leave expenses are charged to operations when taken by the employees of the County. Accordingly, no accruals are reflected in the accounts for unpaid amounts of vacation and sick leave earned by employees. After one year of service an employee is entitled to two weeks of vacation. If the employee does not take the vacation within the year, they will lose the benefit. If an employee is terminated for any reason they will be entitled to payment for the vacation they have earned. The liabilities for accumulated vacation and sick leave at September 30, 2022 are estimated to be insignificant and are not reflected in the accompanying financial statements.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

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

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

The Commissioners' Court establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners' Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

The County's fund balances policy indicates that the County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but the County reserves the right to deviate from this general strategy.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow or resources is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues not expected to be available for current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Use of Estimates

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

Implementation of GASB Statement No. 87

As of October 1, 2021, the County adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Disclosure required by this standards are included in Note 3.J.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Revenues

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent, they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

BUDGETARY INFORMATION

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Treasurer and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues. Commissioners Court may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total of the budget. Formal budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects operations. Budgets for these funds are prepared on a cash basis. Unused appropriations lapse at the end of each year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

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

At September 30, 2022 the carrying amount of the County's deposits was \$575,036 and the bank balance was \$600,201. The County's cash deposits held at First State Bank and Menard National Bank at September 30, 2022 and during the year ended September 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual funds, (8) Investment pools and guaranteed investment contracts. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County was not in compliance with the act at year end.

The County's temporary investments consisted of certificates of deposit at September 30, 2022 and is shown below:

<u>Name</u>	<u>Carrying</u>	<u>Market Value</u>	<u>FDIC</u>	<u>Pledged</u>
<u>Certificates of Deposit-</u>			\$	
Menard Bank	\$ 901,120	\$ 901,120	-	\$ 901,120

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. The County failed to have the investment policy reviewed and approved during the year. That policy does address the following risks:

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

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

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

For the year ended September 30, 2022 the County did not comply, in all material respects, with the requirements of the Public Funds Investment Act and with local policies.

3.B. RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	American Relief	Road and Bridge	Operation Lone Star	Capital Projects	Other Governmental Funds	TOTAL
Receivables:							
Property Taxes	\$ 85,009	\$ -	\$ -	\$ -	\$ -	\$ 10,023	\$ 95,032
Other	55,446	-	11,514	-	-	2,650	69,610
Intergovernmental	<u>13,685</u>	<u>-</u>	<u>4,826</u>	<u>74,262</u>	<u>-</u>	<u>1,528</u>	<u>94,301</u>
Gross Receivables	\$ 154,140	\$ -	\$ 16,340	\$ 74,262	\$ -	\$ 14,201	\$ 258,943
Less: Allowance for Uncollectibles							
	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>2,851</u>
Net Total Receivables	\$ <u>151,590</u>	\$ <u>-</u>	\$ <u>16,340</u>	\$ <u>74,262</u>	\$ <u>-</u>	\$ <u>13,900</u>	\$ <u>256,092</u>

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$1,840,035 which represents amounts owed and outstanding for several years. Based on historical collection rates for the various courts, the County has estimated an allowance for uncollectible court fines and fees of \$1,698,658, resulting in a net receivable of \$141,377.

3.D. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow or resource (revenue) until that time.

Deferred outflows on the Statement of Net Position consists of the TCDRS pension deferred outflow of \$200,455 (see note 4.A.).

Deferred inflows on the Statement of Net Position consists of the TCDRS pension deferred outflow of \$878,754 (see note 4.A.).

Governmental funds reported Deferred Inflows of Resources – Unavailable Revenues in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also reported Unearned Revenue or deferred revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, Unavailable and Unearned Revenues reported in the governmental funds were as follows:

	Unearned Revenue	Unavailable Revenue
General Fund -		
Unavailable Revenue - Property Taxes		\$ 82,458
Unearned Revenue	\$ 144,237	
American Relief Fund		
Unearned Revenue	281,025	
Operation Lone Star Fund -		
Unavailable Revenue - Property Taxes		-
Unearned Revenue	93,668	
Other Governmental Funds -		
Unavailable Revenue - Property Taxes		9,723
Unearned Revenue	<u>-</u>	<u>-</u>
TOTAL UNAVAILABLE AND UNEARNED REVENUES	<u>\$ 518,930</u>	<u>\$ 92,181</u>

3.E. PROPERTY TAXES

The County contracted with the Menard County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2021 tax roll, the total assessed valuation for Menard County was \$252,057,740 and the taxes assessed amounted to \$1,913,217. The total tax rate was \$.75854 per \$100 valuation and allocated \$.68700 to the General and \$.07154 to the Debt Service Fund. In addition, for the 2021 tax roll, the total assessed valuation for Menard County FCLR was \$255,573,320 and the taxes assessed amounted to \$22,785. The total tax rate was \$.00891. The maximum levy allowed by the State law for the above purposes is \$0.80 per \$100 valuation.

Ad valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad valorem taxes are prorated between maintenance & operations and interest & sinking based on rates adopted for the year of the levy. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

3.F. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2022.

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land	\$ 106,000	\$ -	\$ -	\$ 106,000
Buildings	7,003,283	-	-	7,003,283
Improvements	2,143,525	-	-	2,143,525
Machinery & Equipment	2,772,865	239,833	-	3,012,698
Construction Work in Progress	-	-	-	-
Totals at Historic Cost	\$ 12,025,673	\$ 239,833	\$ -	\$ 12,265,506
Less Accumulated Depreciation for:				
Buildings	2,296,188	176,654	-	2,472,842
Improvements	607,916	78,387	-	686,303
Machinery & Equipment	2,550,055	97,561	-	2,647,616
Total Accumulated Depreciation	\$ 5,454,159	\$ 352,602	\$ -	\$ 5,806,761
Total Capital Assets being Depreciated, Net	\$ 6,571,514	\$ (112,769)	\$ -	\$ 6,458,745
Right-to-Use Lease Assets being Amortized				
Equipment	\$ 27,341	\$ -	\$ -	\$ 27,341
Total Right-to-Use Lease Assets	\$ 27,341	\$ -	\$ -	\$ 27,341
Less Accumulated Amortization for:				
Equipment	\$ -	\$ 7,969	\$ -	\$ 7,969
Total Accumulated Amortization	\$ -	\$ 7,969	\$ -	\$ 7,969
Total Right-to-Use Assets being Amortized, Net	\$ 27,341	\$ (7,969)	\$ -	\$ 19,372
Governmental Activities Capital Assets, Net	\$ 6,598,855	\$ (120,738)	\$ -	\$ 6,478,117

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

Governmental Activities:	
Financial Administration	\$ 10,711
General Administration	66,873
Tax Administration	9,879
Emergency Management	4,887
Law Enforcement	96,715
Parks	4,870
Corrections	20,093
Roads & Bridges	34,026
Sanitation	2,808
Justice System	47,597
Juvenile Services	18,315
Health & Human Services	15,554
Recreation	1,147
Conservation & Development	8,326
Museums	174
Facilities Management	6,758
Libraries	3,869
Total Depreciation Expense- Governmental Activities	\$ 352,602

Amortization expense was charged to functions/programs of the County as follows:

General Administration	\$ 5,525
Law Enforcement	2,444
Total Amortization Expense- Governmental Activities	\$ 7,969

3.G. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2022.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Limited Tax Refunding Bonds- Series 2013	\$ 180,000	\$ -	\$ 90,000	\$ 90,000	\$ 90,000
Limited Tax Note- Series 2018	295,000	-	35,000	260,000	35,000
Limited Tax Note- Series 2021	425,000	-	20,000	405,000	20,000
Finance Purchases- American National Leasing	48,618	-	48,618	-	-
Right-to-Use Leases Payable	27,341	-	8,039	19,302	7,504
Total Governmental Activities	<u>\$ 975,959</u>	<u>\$ -</u>	<u>\$ 201,657</u>	<u>\$ 774,302</u>	<u>\$ 152,504</u>

3.H. TAX REFUNDING BONDS AND LIMITED TAX NOTES

Tax Refunding Bonds and Limited Tax Notes payable at September 30, 2022 consists of the following:

\$1,125,000 Limited Tax Refunding Bonds, Series 2013 due in annual installments of \$90,000 to \$115,000 through February 15, 2023; interest rate at 2.411%.	\$ 90,000
\$325,000 Limited Tax Note, Series 2018 due in annual installments of \$10,000 to \$115,000 through February 15, 2025, interest rate at 3.48%.	260,000
\$425,000 Limited Tax Note, Series 2021 due in annual installments of \$20,000 to \$105,000 through August 15, 2028, interest rate at 1.69%.	<u>405,000</u>
Total Limited Tax Refunding Bonds and Limited Tax Notes	<u>\$ 755,000</u>

The annual requirements for principal and interest on the outstanding certificates of obligation are as follows:

Year Ended September 30	Principal	Interest	Total
2023	145,000	16,369	161,369
2024	145,000	12,423	157,423
2025	150,000	7,916	157,916
2026	105,000	5,324	110,324
2027-2028	210,000	5,324	215,324
Totals	<u>\$ 755,000</u>	<u>\$ 47,356</u>	<u>\$ 802,356</u>

3.I. LONG-TERM DEBT ADVANCE REFUNDING

During 2013, the County advance refunded the Series 2005, Series 2007 and Series 2009 Tax Notes and Refunding Bonds by issuing \$1,125,000 limited tax refunding bonds – Series 2013. The tax notes and refunding bonds were called and were redeemed by depositing \$1,083,078 into an escrow account on September 16, 2013.

The tax notes and refunding bonds have been defeased and removed as a liability of the County. The refunding bonds resulted in a gross debt service savings of \$3,056 and the net present value savings of \$39,490. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

<u>Description</u>	<u>Refunded Amount</u>
Tax Notes and Refunding Bonds- Series 2007	45,000
TOTAL	\$ 45,000

3.J. RIGHT-TO-USE LEASES PAYABLE

The County entered into multiple agreement that are considered “right-to-use” lease. These leases are for County equipment.

Annual requirements to amortize right-to-use leases payable and related interest are as follows:

Year Ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	7,504	206	7,710
2024	4,976	127	5,103
2025	4,656	110	4,766
2026	2,166	8	2,174
Totals	<u>\$ 19,302</u>	<u>\$ 451</u>	<u>\$ 19,753</u>

3.K. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2022, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 48,596	\$ 209,806
Road and Bridge Fund	236,773	47,816
Operation Lone Star Fund		59
Capital Projects Fund		3,112
Other Funds	11,869	36,445
	<u>\$ 297,238</u>	<u>\$ 297,238</u>

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 112,470	\$ 101,303
Capital Projects Fund	101,303	8,494
Other Funds	8,494	112,470
Total	<u>\$ 222,267</u>	<u>\$ 222,267</u>

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

Plan Description

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

- a. Menard County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of

- hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 165%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
 - d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Menard County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2021 are shown in the Schedule of Employer Contributions.
 - e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [TCDRS.org/Employer](https://www.tcdrs.org/Employer).

Members 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	30
Inactive employees entitled to but not yet receiving benefits	50
Active employees	<u>55</u>
	135

Contributions

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and cost based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

The contribution rate payable by the employee members for calendar year 2021 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2022 were \$129,153, and were more than the

required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay) ⁽¹⁾
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	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for Menard 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	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Pub-2010 Mortality Tables
Adjustment for Plans with	Same as funding valuation. For employers who have elected this option, a

the Partial-Lump Sum Payment Option 0.75% increase is applied to the TPL related to the member deposit portion of the estimated monthly benefit for future retirees.

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

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

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
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 US 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⁾	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.10%

Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	5.10%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

⁽¹⁾ Target asset allocation adopted at the March 2022 TCDRS Board meeting

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 2.6% per Cliffwater's 2022 capital market assumptions.

⁽³⁾ Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005- present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

In order to determine the discount rate to be used by the employer TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the 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 of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to project benefits payments. Based on the expected level of cash flows and investment returns to the systems, 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.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2020	\$ 5,510,794	\$ 5,653,481	\$ (142,687)
Changes for the Year:			
Service Cost	185,233		185,233
Interest on Total Pension Liability ⁽¹⁾	419,391		419,391
Effect of Plan Changes ⁽²⁾	-		-
Effects of Economic/Demographic			
Gains or Losses	(58,308)		(58,308)
Effect of Assumptions Changes or Inputs	(42,397)		(42,397)
Refund of Contributions	(49,572)	(49,572)	-
Benefit Payments	(312,510)	(312,510)	-
Administrative Expenses		(3,636)	3,636
Member Contributions		92,016	(92,016)
Net Investment Income		1,224,375	(1,224,375)
Employer Contributions		118,535	(118,535)
Other ⁽³⁾	-	(2,736)	2,736
Balances as of December 31, 2021	\$ <u>5,652,631</u>	\$ <u>6,719,953</u>	\$ <u>(1,067,322)</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the Menard County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
Total Pension Liability	\$ 6,302,304	\$ 5,652,632	\$ 5,100,916
Fiduciary Net Position	<u>6,719,953</u>	<u>6,719,953</u>	<u>6,719,953</u>
Net Pension Liability/(Asset)	\$ <u>(417,649)</u>	\$ <u>(1,067,322)</u>	\$ <u>(1,619,037)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022 the County's pension expense was (\$98,018).

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2021 to December 31, 2021</u>	
Service Cost	\$	185,233
Interest on Total Pension Liability ⁽¹⁾		419,391
Effect of Plan Changes		-
Administrative Expenses		3,636
Member Contributions		(92,016)
Expected Investment Return Net of Investment Expenses		(423,774)
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of Economic/Demographic Gains or Losses		(64,286)
Recognition of Assumption Changes or Inputs		89,785
Recognition of Investment Gains or Losses		(218,723)
Other ⁽²⁾		2,736
Pension Expense/(Income)	\$	<u>(98,018)</u>

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

⁽²⁾ Relates to allocation of system-wide items.

As of September 30, 2022, the deferred inflows and outflows of resources are as follows:

<u>Deferred Inflows / Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 79,720	\$ 15,580
Changes of assumptions	31,798	90,051
Net difference between projected and actual earnings	767,236	-
Contributions made subsequent to measurement date	N/A	94,824

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

Year Ended December 31

2022	(122,159)
2023	(282,381)
2024	(208,462)
2025	(160,121)
2026	-
Thereafter ⁽³⁾	-

⁽³⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

4.B. RISK MANAGEMENT

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers compensation. The county carries commercial insurance through the Texas Association of Counties for workers compensation and for other coverages in order to manage the above listed risks.

4.C. HEALTH INSURANCE

All regular full-time employees of the County are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the County. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

4.D. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

4.E. RELATED PARTY

In the ordinary course of business, the County has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral as those prevailing at the time of comparable transactions with other person and did not involve more than a normal risk of collectability or present any other unfavorable features to the County.

4.F. DEFERRED COMPENSATION PLAN

The County offers all its employees a deferred compensation program through Nationwide Retirement Solutions, Inc. The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The County does not contribute to this plan. All contributions are made by the employees who elect to participate in the plan. The County remits employee contributions to the plan trustee on a regular basis. The County does not administer the Section 457 plan, nor does it provide the investment advice to the plan. Accordingly, the Section 457 plan is not part of the County's reporting entity.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2022, the participants had a balance of \$169,655 in the plan.

4.G. TAX ABATEMENT AGREEMENT

In March of 2019, the County created the County Reinvestment Zone No. 001 pursuant to Section 312 of the Texas Property Code. The County entered into a tax abatement agreement with Lampwick Solar, LLC for a period of eight (8) years. The County granted a partial abatement of County property taxes based on the increase in the taxable value of the property attributable to the project over the base year taxable value. The percentage abatement is 80% for years 1-6 and 60% for years 7 and 8.

4.H. UNEARNED REVENUE

Unspent American Rescue Plan Act Funds in the amount of \$281,025 are classified as unearned revenue in the American Rescue Plan Fund. The funds are for response to the COVID-19 public health emergency.

Unspent HAVA Grant Funds in the amount of \$120,904 are classified as unearned revenue in the General Fund. The funds are for election security awarded by the Help America Vote Act.

The fiscal year 2023 County Attorney salary supplement in the amount of \$23,333 was received before year end and is recorded as unearned revenue in the General Fund.

Unspent Operation Lone Star funds in the amount of \$93,668 are classified as unearned revenue in the Operation Lone Star Fund. The funds are for law enforcement expenditures related to the Texas Border Crisis.

4.I. ADOPTION OF NEW GASB STANDARD

For fiscal year 2022, the County adopted GASB Statement No. 87 *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The Statements requires the recognition of certain lease assets and liabilities that were previously classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract.

4.J. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the General Fund exceeded the budget appropriations in four functions but not in total. Expenditures in the Road and Bridge Fund exceeded the budget appropriations in one function but not in total.

4.K. SUBSEQUENT EVENTS

The County has evaluated subsequent events through December 15, 2023 the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MENARD COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,731,636	\$ 1,743,628	\$ 1,755,399	\$ 11,771
General Sales and Use Taxes	84,000	84,000	98,408	14,408
Other Taxes	400	400	1,286	886
Penalty and Interest on Taxes	1,087	1,087	42,038	40,951
Licenses and Permits	8,970	8,970	11,310	2,340
Intergovernmental Revenue and Grants	148,483	319,538	255,130	(64,408)
Charges for Services	249,626	249,626	231,482	(18,144)
Fines	663,385	663,385	685,220	21,835
Investment Earnings	400	400	832	432
Other Revenue	29,628	68,874	113,892	45,018
Total Revenues	<u>2,917,615</u>	<u>3,139,908</u>	<u>3,194,997</u>	<u>55,089</u>
EXPENDITURES:				
Current:				
General Administration	759,233	668,278	582,805	85,473
Financial Administration	136,150	136,150	107,878	28,272
Tax Administration	111,205	246,912	103,610	143,302
Facilities Management	63,035	63,035	69,730	(6,695)
Law Enforcement	793,461	826,125	628,319	197,806
Corrections	312,638	290,838	209,639	81,199
Emergency Management Services	67,691	70,691	50,456	20,235
Sanitation	18,500	29,000	28,967	33
Administration of Justice	445,454	495,938	465,165	30,773
Juvenile Services	82,513	197,198	188,929	8,269
Health and Human Services	169,568	174,268	143,000	31,268
Recreation	20,650	20,650	11,784	8,866
Parks	59,000	59,000	51,065	7,935
Museums	1,800	1,800	1,800	-
Libraries	39,657	39,881	39,911	(30)
Conservation and Development	99,255	104,501	81,296	23,205
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	39,651	(39,651)
Interest on Debt and Right-to-Use Leases	-	-	2,454	(2,454)
Total Expenditures	<u>3,179,810</u>	<u>3,424,265</u>	<u>2,806,459</u>	<u>617,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(262,195)</u>	<u>(284,357)</u>	<u>388,538</u>	<u>672,895</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	214,000	-	48,596	48,596
Transfers Out (Use)	(180,000)	(192,000)	(209,806)	(17,806)
Total Other Financing Sources (Uses)	<u>34,000</u>	<u>(192,000)</u>	<u>(161,210)</u>	<u>30,790</u>
Net Change in Fund Balances	<u>(228,195)</u>	<u>(476,357)</u>	<u>227,328</u>	<u>703,685</u>
Fund Balance - October 1 (Beginning)	<u>252,471</u>	<u>252,471</u>	<u>252,471</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 24,276</u>	<u>\$ (223,886)</u>	<u>\$ 479,799</u>	<u>\$ 703,685</u>

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

MENARD COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Intergovernmental Revenue and Grants	\$ 8,000	\$ 8,000	\$ 9,074	\$ 1,074
Charges for Services	120,000	120,000	133,370	13,370
Rents and Royalties	900	900	900	-
Total Revenues	128,900	128,900	143,344	14,444
EXPENDITURES:				
Current:				
General Administration	54,240	54,240	41,943	12,297
Roads and Bridges	329,750	357,787	361,490	(3,703)
Total Expenditures	383,990	412,027	403,433	8,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(255,090)	(283,127)	(260,089)	23,038
OTHER FINANCING SOURCES (USES):				
Transfers In	214,000	225,000	236,773	11,773
Transfers Out (Use)	-	-	(47,816)	(47,816)
Total Other Financing Sources (Uses)	214,000	225,000	188,957	(36,043)
Change in Fund Balance	(41,090)	(58,127)	(71,132)	(13,005)
Fund Balance - October 1 (Beginning)	91,837	91,837	91,837	-
Fund Balance - September 30 (Ending)	\$ 50,747	\$ 33,710	\$ 20,705	\$ (13,005)

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

MENARD COUNTY, TEXAS
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	\$ 185,233	\$ 177,313	\$ 146,602
Interest (on the Total Pension Liability)	419,391	410,245	378,771
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(58,308)	(107,969)	62,320
Changes of Assumptions	(42,397)	270,151	-
Benefit Payments, Including Refunds of Employee Contributions	(362,082)	(247,941)	(212,422)
Net Change in Total Pension Liability	\$ 141,837	\$ 501,799	\$ 375,271
Total Pension Liability - Beginning	5,510,794	5,008,995	4,633,724
Total Pension Liability - Ending	\$ 5,652,631	\$ 5,510,794	\$ 5,008,995
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 118,535	\$ 125,433	\$ 111,982
Contributions - Employee	92,016	100,571	89,586
Net Investment Income	1,224,375	531,770	728,189
Benefit Payments, Including Refunds of Employee Contributions	(362,082)	(247,941)	(212,422)
Administrative Expense	(3,636)	(4,137)	(3,923)
Other	(2,736)	(139)	(346)
Net Change in Plan Fiduciary Net Position	\$ 1,066,472	\$ 505,557	\$ 713,066
Plan Fiduciary Net Position - Beginning	5,653,481	5,147,923	4,434,165
Plan Fiduciary Net Position - Ending	\$ 6,719,953	\$ 5,653,480	\$ 5,147,231
C. Net Pension Liability (Asset)	\$ (1,067,322)	\$ (142,686)	\$ (138,236)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	118.88%	102.59%	102.76%
E. Covered Payroll	\$ 1,314,511	\$ 1,436,732	\$ 1,279,794
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(81.20%)	(9.93%)	(10.80%)

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	
\$	151,634	\$	162,089	\$	161,341	\$	149,860	\$	141,059
	361,192		338,778		307,652		296,397		276,864
	-		-		-		51,701		-
	(75,659)		(51,917)		31,047		(170,816)		(30,234)
	-		51,674		-		41,643		-
	(217,709)		(209,341)		(188,600)		(190,743)		(202,283)
\$	219,458	\$	291,283	\$	311,440	\$	178,042	\$	185,406
	4,414,266		4,122,983		3,811,542		3,633,499		3,448,092
\$	4,633,724	\$	4,414,266	\$	4,122,982	\$	3,811,541	\$	3,633,498
\$	102,349	\$	103,812	\$	109,962	\$	107,391	\$	103,564
	81,879		83,049		87,970		85,913		82,851
	(85,270)		583,417		273,042		8,270		241,758
	(217,709)		(209,341)		(188,600)		(190,743)		(202,283)
	(3,562)		(3,031)		(2,966)		(2,684)		(2,837)
	(540)		(330)		28,693		(88,664)		(42,060)
\$	(122,853)	\$	557,576	\$	308,101	\$	(80,517)	\$	180,993
	4,557,018		3,999,441		3,691,339		3,771,856		3,590,862
\$	4,434,165	\$	4,557,017	\$	3,999,440	\$	3,691,339	\$	3,771,855
\$	199,559	\$	(142,751)	\$	123,542	\$	120,202	\$	(138,357)
	95.69%		103.23%		97.00%		96.85%		103.81%
\$	1,169,697	\$	1,186,421	\$	1,256,714	\$	1,227,324	\$	1,183,592
	17.06%		(12.03%)		9.83%		9.79%		(11.69%)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 92,279	\$ 103,301	\$ 95,985
Contributions in Relation to the Actuarially Determined Contributions	118,535	125,433	111,982
Contribution Deficiency (Excess)	<u>\$ (26,256)</u>	<u>\$ (22,132)</u>	<u>\$ (15,997)</u>
Covered Employee Payroll	\$ 1,314,511	\$ 1,436,732	\$ 1,279,794
Contributions as a Percentage of Covered Employee Payroll	9.00%	8.70%	8.80%

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	2014	2013
\$	89,599	\$ 89,575	\$ 104,433	\$ 99,413	\$ 101,671	\$ 96,887	\$ 83,841
	102,349	103,812	109,962	107,391	103,564	96,887	83,841
\$	(12,750)	\$ (14,237)	\$ (5,529)	\$ (7,978)	\$ (1,893)	- \$	-
\$	1,169,697	\$ 1,186,421	\$ 1,256,714	\$ 1,227,324	\$ 1,183,592	\$ 1,107,282	\$ 984,044
	8.80%	8.80%	8.70%	8.80%	8.70%	8.70%	8.50%

MENARD COUNTY
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2022

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	2.2 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	<p>2015: New inflation, mortality and other assumptions were reflected.</p> <p>2017: New mortality assumptions were reflected.</p> <p>2019: New inflation, mortality and other assumptions were reflected.</p>
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	<p>2015: No changes in plan provisions were reflected in the Schedule.</p> <p>2016: Employer contributions reflect that a 10% CPI COLA was adopted.</p> <p>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.</p> <p>2018: No changes in plan provisions were reflected in the Schedule.</p> <p>2019: No changes in plan provisions were reflected in the Schedule.</p> <p>2020: No changes in plan provisions were reflected in the Schedule.</p> <p>2021: No changes in plan provisions were reflected in the Schedule.</p>

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SUPPLEMENTARY INFORMATION

MENARD COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Development Fund	Veterans Assistance Grant	Lateral Road Fund	JP Court Technology Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 113	\$ 2,037	\$ 30,344
Investments - Current	-	-	-	25,000
Taxes Receivable	-	-	1,171	-
Allowance for Uncollectible Taxes (credit)	-	-	(35)	-
Accounts Receivable Net	-	-	129	625
Due from Other Governments	-	1,528	-	-
Due from Other Funds	-	-	-	-
Prepaid Items	-	461	-	-
Total Assets	<u>\$ -</u>	<u>\$ 2,102</u>	<u>\$ 3,302</u>	<u>\$ 55,969</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 412	\$ -	\$ -
Intergovernmental Payable	-	-	-	-
Due to Other Funds	-	-	-	34,106
Total Liabilities	<u>-</u>	<u>412</u>	<u>-</u>	<u>34,106</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	1,136	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,136</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	-	1,690	2,166	21,863
Total Fund Balances	<u>-</u>	<u>1,690</u>	<u>2,166</u>	<u>21,863</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 2,102</u>	<u>\$ 3,302</u>	<u>\$ 55,969</u>

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

Court Reporter Fund	Appellate Judicial Fund	Alternative Dispute Resolution	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fund	Courthouse Security Fund
\$ 7,446	\$ 374	\$ 7,700	\$ 35,695	\$ 14,175	\$ 34,564	\$ 1,486	\$ 26,404
25,000	-	-	25,000	25,000	-	-	30,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15	5	20	103	340	310	75	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,494	-
-	-	-	-	-	-	-	-
<u>\$ 32,461</u>	<u>\$ 379</u>	<u>\$ 7,720</u>	<u>\$ 60,798</u>	<u>\$ 39,515</u>	<u>\$ 34,874</u>	<u>\$ 10,055</u>	<u>\$ 56,404</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	480	-	-	-	-
-	-	-	41,075	-	-	-	37,289
-	-	-	<u>41,555</u>	-	-	-	<u>37,289</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,461	379	7,720	19,243	39,515	34,874	10,055	19,115
<u>32,461</u>	<u>379</u>	<u>7,720</u>	<u>19,243</u>	<u>39,515</u>	<u>34,874</u>	<u>10,055</u>	<u>19,115</u>
<u>\$ 32,461</u>	<u>\$ 379</u>	<u>\$ 7,720</u>	<u>\$ 60,798</u>	<u>\$ 39,515</u>	<u>\$ 34,874</u>	<u>\$ 10,055</u>	<u>\$ 56,404</u>

MENARD COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Sheriff's Special Fund	County Attorney CC&P Fund	Pre-Trial Intervention Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 296	\$ 45	\$ 16,697	\$ 177,376
Investments - Current	-	-	-	130,000
Taxes Receivable	-	-	-	1,171
Allowance for Uncollectible Taxes (credit)	-	-	-	(35)
Accounts Receivable Net	-	-	-	1,622
Due from Other Governments	-	-	-	1,528
Due from Other Funds	-	-	-	8,494
Prepaid Items	-	-	-	461
Total Assets	<u>\$ 296</u>	<u>\$ 45</u>	<u>\$ 16,697</u>	<u>\$ 320,617</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 412
Intergovernmental Payable	-	-	-	480
Due to Other Funds	-	-	-	112,470
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,362</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	1,136
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,136</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	296	45	16,697	206,119
Total Fund Balances	<u>296</u>	<u>45</u>	<u>16,697</u>	<u>206,119</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 296</u>	<u>\$ 45</u>	<u>\$ 16,697</u>	<u>\$ 320,617</u>

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

Debt Service Fund	Capital Projects THC	Total Nonmajor Governmental Funds
\$ 31,485	\$ -	\$ 208,861
-	-	130,000
8,852	-	10,023
(266)	-	(301)
1,028	-	2,650
-	-	1,528
-	-	8,494
-	-	461
<u>\$ 41,099</u>	<u>\$ -</u>	<u>\$ 361,716</u>
\$ -	\$ -	\$ 412
-	-	480
-	-	112,470
<u>-</u>	<u>-</u>	<u>113,362</u>
8,587	-	9,723
<u>8,587</u>	<u>-</u>	<u>9,723</u>
32,512	-	32,512
-	-	206,119
<u>32,512</u>	<u>-</u>	<u>238,631</u>
<u>\$ 41,099</u>	<u>\$ -</u>	<u>\$ 361,716</u>

MENARD COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Development Fund	Veterans Assistance Grant	Lateral Road Fund	JP Court Technology Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 23,148	\$ -
Penalty and Interest on Taxes	-	-	549	-
Intergovernmental Revenue and Grants	-	7,482	9,169	-
Charges for Services	-	-	-	-
Fines	-	-	-	11,239
Forfeits	-	-	-	-
Other Revenue	4,700	13	-	-
Total Revenues	<u>4,700</u>	<u>7,495</u>	<u>32,866</u>	<u>11,239</u>
EXPENDITURES:				
Current:				
Facilities Management	-	-	-	-
Law Enforcement	-	-	-	-
Roads and Bridges	-	-	1,000	-
Administration of Justice	-	-	-	22,256
Health and Human Services	-	15,690	-	-
Conservation and Development	4,800	-	-	-
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	-	-
Interest on Debt and Right-to-Use Leases	-	-	-	-
Other Debt Service	-	-	-	-
Total Expenditures	<u>4,800</u>	<u>15,690</u>	<u>1,000</u>	<u>22,256</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100)</u>	<u>(8,195)</u>	<u>31,866</u>	<u>(11,017)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	8,800	-	-
Transfers Out (Use)	-	(1,596)	(30,590)	(6)
Total Other Financing Sources (Uses)	<u>-</u>	<u>7,204</u>	<u>(30,590)</u>	<u>(6)</u>
Net Change in Fund Balance	(100)	(991)	1,276	(11,023)
Fund Balance - October 1 (Beginning)	<u>100</u>	<u>2,681</u>	<u>890</u>	<u>32,886</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 1,690</u>	<u>\$ 2,166</u>	<u>\$ 21,863</u>

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

Court Reporter Fund	Appellate Judicial Fund	Alternative Dispute Resolution	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fund	Courthouse Security Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
316	90	305	-	8,635	7,390	1,612	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,670	-	-	-	10,326
<u>316</u>	<u>90</u>	<u>305</u>	<u>10,670</u>	<u>8,635</u>	<u>7,390</u>	<u>1,612</u>	<u>10,326</u>
-	-	-	-	-	-	156	-
-	-	-	2,078	-	-	-	-
-	-	-	-	-	-	-	-
1,974	-	-	-	1,621	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,974</u>	<u>-</u>	<u>-</u>	<u>2,078</u>	<u>1,621</u>	<u>-</u>	<u>156</u>	<u>-</u>
<u>(1,658)</u>	<u>90</u>	<u>305</u>	<u>8,592</u>	<u>7,014</u>	<u>7,390</u>	<u>1,456</u>	<u>10,326</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(4,253)
-	-	-	-	-	-	-	(4,253)
<u>(1,658)</u>	<u>90</u>	<u>305</u>	<u>8,592</u>	<u>7,014</u>	<u>7,390</u>	<u>1,456</u>	<u>6,073</u>
<u>34,119</u>	<u>289</u>	<u>7,415</u>	<u>10,651</u>	<u>32,501</u>	<u>27,484</u>	<u>8,599</u>	<u>13,042</u>
<u>\$ 32,461</u>	<u>\$ 379</u>	<u>\$ 7,720</u>	<u>\$ 19,243</u>	<u>\$ 39,515</u>	<u>\$ 34,874</u>	<u>\$ 10,055</u>	<u>\$ 19,115</u>

MENARD COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Sheriff's Special Fund	County Attorney CC&P Fund	Pre-Trial Intervention Fund	Total Nonmajor Special Revenue Funds
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ 23,148
Penalty and Interest on Taxes	-	-	-	549
Intergovernmental Revenue and Grants	-	-	-	16,651
Charges for Services	-	30	262	18,640
Fines	-	-	-	11,239
Forfeits	3,694	-	-	3,694
Other Revenue	-	-	-	25,709
Total Revenues	<u>3,694</u>	<u>30</u>	<u>262</u>	<u>99,630</u>
EXPENDITURES:				
Current:				
Facilities Management	-	-	-	156
Law Enforcement	3,629	-	-	5,707
Roads and Bridges	-	-	-	1,000
Administration of Justice	-	-	800	26,651
Health and Human Services	-	-	-	15,690
Conservation and Development	-	-	-	4,800
Debt Service:				
Principal on Debt and Right-to-Use Leases	-	-	-	-
Interest on Debt and Right-to-Use Leases	-	-	-	-
Other Debt Service	-	-	-	-
Total Expenditures	<u>3,629</u>	<u>-</u>	<u>800</u>	<u>54,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65</u>	<u>30</u>	<u>(538)</u>	<u>45,626</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	8,800
Transfers Out (Use)	-	-	-	(36,445)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,645)</u>
Net Change in Fund Balance	65	30	(538)	17,981
Fund Balance - October 1 (Beginning)	<u>231</u>	<u>15</u>	<u>17,235</u>	<u>188,138</u>
Fund Balance - September 30 (Ending)	<u>\$ 296</u>	<u>\$ 45</u>	<u>\$ 16,697</u>	<u>\$ 206,119</u>

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

Debt Service Fund	Capital Projects THC	Total Nonmajor Governmental Funds
\$ 184,245	\$ -	\$ 207,393
-	-	549
-	-	16,651
-	-	18,640
-	-	11,239
-	-	3,694
-	-	25,709
184,245	-	283,875
-	-	156
-	-	5,707
-	-	1,000
-	-	26,651
-	-	15,690
-	-	4,800
145,000	-	145,000
19,724	-	19,724
150	-	150
164,874	-	218,878
19,371	-	64,997
3,069	-	11,869
-	-	(36,445)
3,069	-	(24,576)
22,440	-	40,421
10,072	-	198,210
\$ 32,512	\$ -	\$ 238,631

MENARD COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 SEPTEMBER 30, 2022

	County Attorney	Sheriff	Tax Assessor/ Collector	County & District Clerk
ASSETS				
Cash and Cash Equivalents	\$ 2,303	\$ 15,855	\$ 21,084	\$ 489,527
Total Assets	<u>2,303</u>	<u>15,855</u>	<u>21,084</u>	<u>489,527</u>
NET POSITION				
Restricted for Other Purposes	<u>2,303</u>	<u>15,855</u>	<u>21,084</u>	<u>489,527</u>
Total Net Position	<u><u>\$ 2,303</u></u>	<u><u>\$ 15,855</u></u>	<u><u>\$ 21,084</u></u>	<u><u>\$ 489,527</u></u>

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

Justice of the Peace	Total Custodial Funds
\$ 64,878	\$ 593,647
64,878	593,647
\$ 64,878	\$ 593,647
\$ 64,878	\$ 593,647

MENARD COUNTY, TEXAS
 COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	County Attorney	Sheriff	Tax Assessor/ Collector	County & Distric Clerk
ADDITIONS:				
Charges for Services	\$ 236	\$ 12,844	\$ 340,440	\$ 284,347
Total Additions	<u>236</u>	<u>12,844</u>	<u>340,440</u>	<u>284,347</u>
DEDUCTIONS:				
Other Operating Costs	186	4,687	426,500	279,453
Total Deductions	<u>186</u>	<u>4,687</u>	<u>426,500</u>	<u>279,453</u>
Change in Net Position	50	8,157	(86,060)	4,894
Total Net Position - October 1 (Beginning)	<u>2,253</u>	<u>7,698</u>	<u>107,144</u>	<u>484,633</u>
Total Net Position - September 30 (Ending)	<u>\$ 2,303</u>	<u>\$ 15,855</u>	<u>\$ 21,084</u>	<u>\$ 489,527</u>

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

Justice of the Peace	Total Custodial Funds
\$ 972,299	\$ 1,610,166
<u>972,299</u>	<u>1,610,166</u>
1,000,138	1,710,964
<u>1,000,138</u>	<u>1,710,964</u>
(27,839)	(100,798)
<u>92,717</u>	<u>694,445</u>
<u>\$ 64,878</u>	<u>\$ 593,647</u>



NEFFENDORF & BLOCKER, P.C.

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

To the Honorable Judge and County Commissioners
Menard County, Texas
Menard, Texas 76859

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 County of Menard, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise County of Menard, Texas' basic financial statements and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

County of Menard, Texas’ Response to Findings

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

Purpose of This Report

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

Neffendorf + Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas
December 15, 2023

MENARD COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. Summary of Auditor's Results:

I. Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting	
Material Weakness(es) identified	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weakness	<u>X</u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

2022-001

Condition: County records could not substantiate that payroll expenses paid by the Operation Lone Star grant were not supplanted.

Criteria: Operation Lone Star funds were only to be used for additional employees or additional overtime that law enforcement worked due to the border crisis.

Cause of Condition: The County does not budget law enforcement employees by position. The budgeted salaries are one lump sum. The County underspent the law enforcement salary budget in the current year and current salary expenditures were significantly less than in the prior year in the general fund.

Potential Effect of Condition: The County's claimed payroll expenses could potentially be noncompliant for the grant.

Recommendation: We recommend the County adopt the law enforcement payroll budget by position for compliance with grants and budget control.

2022-002

Condition: Expenditures in the Abandoned Vehicle Bank Account are not in compliance with the Texas Transportation Code (law enforcement expenditures paid directly out of the fund).

Criteria: Texas Transportation Code Title 7, Subtitle H Section 683.015, Subchapter B states that auction proceeds from abandoned vehicle sales can only be spent to reimburse the county for expenditures related to the sale of the vehicle. The code also states a county may transfer funds in excess of \$1,000 from the account to the county's general revenue account to be used by the law enforcement agency.

Cause of Condition: The Sheriff's Abandoned Vehicle Special bank account is not recorded in the County's general ledger system therefore the appropriate transfer to the general fund was not made.

Potential Effect of Condition: The Abandoned Vehicle restricted funds are expended on nonqualifying expenditures per the Texas Transportation Code.

Recommendation: We recommend the County record the Sheriff Abandoned Vehicle Special accounts in the County's general ledger system and transfer funds in excess of \$1,000 to the general fund for law enforcement purchases.

2022-003

Condition: The County's final budgeted expenditures exceeded appropriations and fund balance for the General Fund.

Criteria: Budgetary control of expenditures is a key control for the County. Monitoring the budget ensures that a valid and sufficient appropriation exists prior to the authorization or recording of an expenditure.

Cause of Condition: The County did not monitor appropriations and fund balance when authorizing budget amendments.

Potential Effect of Condition: The County authorizes an expenditure that the County does not have funds for.

Recommendation: We recommend the County monitor the budget to ensure that a funding source is available for all expenditures (new revenue or fund balance).

MENARD COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2022-001

Finding: County records could not substantiate that payroll expenses paid by the Operation Lone Star Grant were not supplanted. Neffendorf & Blocker, P.C. (NB) recommend the County adopt the law enforcement payroll budget by position for compliance with grants and budget control.

Responsible Individuals: Brandon Corbin, County Judge and Tami Russell, County Treasurer

Corrective Action Plan: Menard County will adopt the law enforcement payroll budget by position as per NB's recommendation.

2022-002

Finding: Expenditures in the Abandoned Vehicle Bank Account are not in compliance.

Responsible Individuals: Tami Russell, County Treasurer

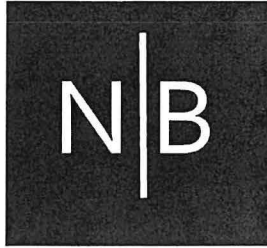
Corrective Action Plan: The Sheriff's Department interprets "may" in the statute as presenting an option. They are currently reviewing NB's recommendation.

2022-003

Finding: The County's final budgeted expenditures exceeded appropriations and fund balance for the general fund.

Responsible Individuals: Tami Russell, County Treasurer

Corrective Action Plan: The County Treasurer will receive more training in this area and present a clearer picture during monthly reports.



NEFFENDORF & BLOCKER, P.C.

December 15, 2023

Honorable Judge and County Commissioners
County of Menard
Menard, TX 76859

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Menard, Texas are described in Note 1 to the financial statements. GASB Statement No. 87 *Leases* was adopted and the application of existing policies was not changed during the year ended September 30, 2022. We noted no transactions entered into by the County of Menard, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Menard's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menard's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of changes in net pension liability and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting record used to prepare the financial statements.

Recommendations

Public Funds Investment Act

The Public Funds Investment Act, Chapter 2256.023 requires, at least quarterly, investment reports be prepared and submitted to those charged with governance for all funds covered. Quarterly investment reports were not prepared. We recommend that the County Investment Officer prepare quarterly reports in accordance with the Public Funds Investment Act and submit them to the governing body to comply.

The Investment Policy was not approved for the 2022 fiscal year. This is a requirement of the Public Funds Investment Act. We recommend the County adopt and approve the investment policy annually.

Year-End Closing Procedures

The County does not have year-end closing procedures in place. Year-end closing procedures should be in place to ensure the trial balance is complete and all accruals have been made. Management failed to accurately post all year end accrual adjustments resulting in the financial statements being incomplete. We recommend the County design and implement accounting period closing policies and procedures to ensure the trial balance is complete.

Grant Compliance

The County does not have proper controls in place for monitoring state and federal grant compliance-

1. The County failed to timely submit the required reports to the Department of Treasury for the Coronavirus State and Local Fiscal Recovery Funds.
2. The County failed to submit Uniform Crime Reports mandated by the Texas Department of Public Safety for the Operation Lone Star Grant which was a grant eligibility requirement.

We recommend the County design and implement internal controls over state and federal grants to ensure the County maintains compliance.

Restriction on Use

This information is intended solely for the use of the Commissioner's Court and management of County of Menard and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Neffendorf + Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas