



Honorable County Judge and
Members of the Commissioners Court
Upshur County, Texas

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upshur County, Texas (the "County") for the year ended September 30, 2022, and have issued our report thereon dated June 7, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 28, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement, we assisted in preparing the financial statements and related notes and the schedule of expenditures of federal awards and related notes of the County in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by management. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.

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In order to reduce threats to our independence caused by these nonattest services to an acceptable level, we applied certain safeguards. These safeguards include a concurring review, which is a review of the financial statements and key audit areas which is performed by an individual who has adequate experience in audits of local governments, but who was not involved in this audit engagement. The concurring reviewer serves as an evaluator of the performance of the engagement team and the nonattest services provided.

In addition, management assumed responsibility for the financial statements, schedule of expenditures of federal awards, related notes to the financial statements, and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements, schedule of expenditures of federal awards, and related notes to the financial statements, and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Significant Risks Identified

We have identified the following significant risks during our audit process, which required special audit consideration:

<u>Significant Risk Identified</u>	<u>Reasoning for Special Audit Consideration</u>
Management override of internal controls	The risk that members of management could circumvent well-designed and effective internal controls.
Lease accounting	New accounting standard GASB 87, <i>Leases</i> , presents new financial reporting and note disclosures.

Qualitative Aspects of the County’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in the notes to the financial statements. There have been no initial selection of accounting policies and no significant changes in accounting policies during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management’s estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.
- Management’s estimate of the net pension liability is based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuarial makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a letter dated June 7, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Matters

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the County, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the County include the following:

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

Restriction on Use

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 7, 2023

UPSHUR COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2022
WITH INDEPENDENT AUDITOR'S REPORT

UPSHUR COUNTY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Members of the Commissioners' Court
Upshur County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County (the "County") 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 accompanying financial statements 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, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibility 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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.



INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
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Upshur County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County (the "County") 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 accompanying financial statements 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, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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As discussed in the notes to the financial statements, in the year ending September 30, 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2023, on our consideration of the County's 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 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's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 7, 2023

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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UPSHUR COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Upshur County, Texas (the "County") offers this narrative overview and analysis of the financial activities of the primary government for the fiscal year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

- At September 30, 2022, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$21,206,585 (its "net position").
- Of this amount, \$15,560,338 is unrestricted, \$1,630,868 is restricted for specific purposes (restricted net position), and \$4,015,379 is invested in capital assets, net of related debt.
- The County's total net position increased by \$2,565,563, or 14%, over the course of this year's operations.
- As of September 30, 2022, the County's governmental funds reported combined fund balances of \$15,235,236, which represents a 22% percent increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred outflows/inflows of resources and liabilities, with the difference between the four representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, legal, and library.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. The County does not have any proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The County maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found starting on page 17 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A significant portion of the County's current fiscal year net position (19%) reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure) less any related debt used to acquire these assets that is outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

One portion of the County's current fiscal year net position (73%) represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.

UPSHUR COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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FINANCIAL HIGHLIGHTS

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- Of this amount, \$15,560,338 is unrestricted, \$1,630,868 is restricted for specific purposes (restricted net position), and \$4,015,379 is invested in capital assets, net of related debt.
- The County's total net position increased by \$2,565,563, or 14%, over the course of this year's operations.
- As of September 30, 2022, the County's governmental funds reported combined fund balances of \$15,235,236, which represents a 22% percent increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred outflows/inflows of resources and liabilities, with the difference between the four representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, legal, and library.

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Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

The following table indicates changes in net position for governmental activities.

UPSHUR COUNTY'S CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,702,610	\$ 2,421,147
Operating grants and contributions	4,322,761	2,946,598
General revenues:		
Property taxes, levied for general purposes	13,336,205	13,031,157
Sales taxes	1,821,138	1,559,888
Investment earnings	124,395	14,324
Gain on sale of capital assets	340,433	175,591
Miscellaneous	<u>698,363</u>	<u>782,968</u>
Total revenues	<u>23,345,905</u>	<u>20,931,673</u>
Expenses:		
General government	7,798,032	7,159,475
Public safety	7,996,384	5,343,430
Public transportation	2,951,124	2,893,885
Legal	1,983,591	1,795,595
Library	194,953	191,915
Interest on long-term debt	<u>22,955</u>	<u>49,559</u>
Total expenses	<u>20,947,039</u>	<u>17,433,859</u>
Change in net position	2,398,866	3,497,814
Net position - beginning	<u>18,641,022</u>	<u>15,143,208</u>
Prior period adjustment	<u>166,697</u>	<u>-</u>
Net position - ending	<u>\$ 21,206,585</u>	<u>\$ 18,641,022</u>

FINANCIAL ANALYSIS OF MAJOR FUNDS

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

At September 30, 2022, the County's governmental funds reported combined fund balances of \$15,235,236, an increase of 22% from the prior year.

The General Fund is the chief operating fund of the County. At September 30, 2022, the General Fund reported revenues of \$18,907,149 and expenditures of \$18,745,843.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual revenues were more than budgeted estimates by \$1,419,802. Actual expenditures were more than budgeted estimates by \$619,339. Actual other financing sources were more than budgeted by \$2,169,097. The net effect resulted in a positive variance of \$2,969,560.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets for its governmental activities as of September 30, 2022, amounted to \$6,482,764 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment, and other tangible and intangible assets.

For further information regarding capital assets, see Note 4.

Long-term Debt. At September 30, 2022, the County had total long-term debt outstanding of \$3,246,436. Refer to Note 4 for further information on the County's long-term debt.

ECONOMIC FACTORS

The budget was adopted based on estimated balances that would be available at the end of fiscal year 2022 and estimated revenues to be received in fiscal year 2023. Budgeted revenues to the General Fund total \$16,812,569 and budgeted expenditures total \$16,947,570.

For 2022-2023, the property tax rate is \$.5990 per \$100 valuation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor's Office, P. O. Box 730, Gilmer, Texas, 75644.

The following table indicates changes in net position for governmental activities.

UPSHUR COUNTY'S CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,702,610	\$ 2,421,147
Operating grants and contributions	4,322,761	2,946,598
General revenues:		
Property taxes, levied for general purposes	13,336,205	13,031,157
Sales taxes	1,821,138	1,559,888
Investment earnings	124,395	14,324
Gain on sale of capital assets	340,433	175,591
Miscellaneous	698,363	782,968
Total revenues	<u>23,345,905</u>	<u>20,931,673</u>
Expenses:		
General government	7,798,032	7,159,475
Public safety	7,996,384	5,343,430
Public transportation	2,951,124	2,893,885
Legal	1,983,591	1,795,595
Library	194,953	191,915
Interest on long-term debt	22,955	49,559
Total expenses	<u>20,947,039</u>	<u>17,433,859</u>
Change in net position	2,398,866	3,497,814
Net position - beginning	<u>18,641,022</u>	<u>15,143,208</u>
Prior period adjustment	<u>166,697</u>	<u>-</u>
Net position - ending	<u>\$ 21,206,585</u>	<u>\$ 18,641,022</u>

FINANCIAL ANALYSIS OF MAJOR FUNDS

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

At September 30, 2022, the County's governmental funds reported combined fund balances of \$15,235,236, an increase of 22% from the prior year.

The General Fund is the chief operating fund of the County. At September 30, 2022, the General Fund reported revenues of \$18,907,149 and expenditures of \$18,745,843.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual revenues were more than budgeted estimates by \$1,419,802. Actual expenditures were more than budgeted estimates by \$619,339. Actual other financing sources were more than budgeted by \$2,169,097. The net effect resulted in a positive variance of \$2,969,560.

**BASIC
FINANCIAL STATEMENTS**

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

	Governmental Activities
ASSETS	.
Cash and investments	\$ 19,070,730
Receivables, net of allowances for uncollectibles	2,842,443
Prepaid expenses	380,523
Due from other governments	29,175
Net pension asset	5,091,108
Capital assets:	
Land	460,998
Buildings	9,482,620
Furniture and equipment	6,730,616
Right to use - equipment	2,627,679
Less: accumulated depreciation	<u>(12,819,149)</u>
Total capital assets, net of accumulated depreciation	<u>6,482,764</u>
 Total assets	 <u>33,896,743</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>1,371,615</u>
Total deferred outflows of resources	<u>1,371,615</u>
 LIABILITIES	
Accounts payable and accrued liabilities	642,576
Accrued interest payable	20,272
Unearned revenue	4,052,277
Noncurrent liabilities:	
Due within one year	418,653
Due in more than one year	<u>2,827,783</u>
Total liabilities	<u>7,961,561</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>6,100,212</u>
Total deferred inflows of resources	<u>6,100,212</u>
 NET POSITION	
Net investment in capital assets	4,015,379
Restricted for:	
Other purposes	1,630,868
Unrestricted	<u>15,560,338</u>
Total net position	<u>\$ 21,206,585</u>

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

**BASIC
FINANCIAL STATEMENTS**

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

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 7,798,032	\$ 1,856,569	\$ 3,500,505	\$(2,440,958)
Public safety	7,996,384	334,272	753,954	(6,908,158)
Public transportation	2,951,124	-	39,923	(2,911,201)
Legal	1,983,591	485,782	28,379	(1,469,430)
Library	194,953	25,987	-	(168,966)
Interest on long-term debt	22,955	-	-	(22,955)
Total governmental activities	<u>\$ 20,947,039</u>	<u>\$ 2,702,610</u>	<u>\$ 4,322,761</u>	<u>(13,921,668)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				13,336,205
Sales taxes				1,821,138
Investment earnings				124,395
Gain on sale of capital assets				340,433
Miscellaneous				698,363
Total general revenues				<u>16,320,534</u>
Change in net position				2,398,866
Net position, beginning				<u>18,641,022</u>
Prior period adjustment				166,697
Net position, beginning as restated				<u>18,807,719</u>
Net position, ending				<u>\$ 21,206,585</u>

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

UPSHUR COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	American Rescue Plan Grant	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 13,348,237	\$ 4,074,979	\$ 1,647,514	\$ 19,070,730
Receivables (net of allowance for uncollectibles)	2,785,634	-	56,809	2,842,443
Prepaid expenses	380,523	-	-	380,523
Due from other funds	20,951	-	-	20,951
Due from other governments	17,039	-	12,136	29,175
Total assets	16,552,384	4,074,979	1,716,459	22,343,822
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	630,006	-	12,570	642,576
Due to other funds	-	-	20,951	20,951
Unearned	-	4,052,277	-	4,052,277
Total liabilities	630,006	4,052,277	33,521	4,715,804
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,083,855	-	55,903	2,139,758
Unavailable revenue - court fines and fees	253,024	-	-	253,024
Total deferred inflows of resources	2,336,879	-	55,903	2,392,782
FUND BALANCES				
Nonspendable:				
Prepaid items	380,523	-	-	380,523
Restricted for:				
Child protection	-	-	69,507	69,507
County and district clerk services	-	-	877,488	877,488
Court security and technology	-	-	149,715	149,715
District Attorney	-	-	21,652	21,652
Drug enforcement	-	-	885	885
Elections	-	-	68,873	68,873
Federal and state grants	-	-	63,369	63,369
Forfeiture	-	-	5,283	5,283
Judicial education	-	-	5,976	5,976
Law enforcement	-	-	288,748	288,748
Debt service	-	-	28,480	28,480
Other	-	-	50,892	50,892
Unassigned	13,204,976	22,702	(3,833)	13,223,845
Total fund balances	13,585,499	22,702	1,627,035	15,235,236
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,552,384	\$ 4,074,979	\$ 1,716,459	\$ 22,343,822

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 7,798,032	\$ 1,856,569	\$ 3,500,505	\$(2,440,958)
Public safety	7,996,384	334,272	753,954	(6,908,158)
Public transportation	2,951,124	-	39,923	(2,911,201)
Legal	1,983,591	485,782	28,379	(1,469,430)
Library	194,953	25,987	-	(168,966)
Interest on long-term debt	22,955	-	-	(22,955)
Total governmental activities	\$ 20,947,039	\$ 2,702,610	\$ 4,322,761	(13,921,668)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				13,336,205
Sales taxes				1,821,138
Investment earnings				124,395
Gain on sale of capital assets				340,433
Miscellaneous				698,363
Total general revenues				16,320,534
Change in net position				2,398,866
Net position, beginning				18,641,022
Prior period adjustment				166,697
Net position, beginning as restated				18,807,719
Net position, ending				\$ 21,206,585

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

UPSHUR COUNTY, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 15,235,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,482,764
The net pension liability is not an available resource and, therefore, is not reported in the funds.	362,511
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,392,782
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,266,708)
Net position of governmental activities	\$ <u>21,206,585</u>

UPSHUR COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	American Recovery Plan Grant	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 15,172,712	\$ -	\$ -	\$ 15,172,712
Licenses and permits	1,033,626	-	-	1,033,626
Intergovernmental	205,728	3,078,746	566,864	3,851,338
Charges for services	1,733,026	-	348,771	2,081,797
Fines and forfeitures	321,074	-	18,500	339,574
Interest	91,617	21,999	10,779	124,395
Miscellaneous	349,366	-	46,075	395,441
Total revenues	<u>18,907,149</u>	<u>3,100,745</u>	<u>990,989</u>	<u>22,998,883</u>
EXPENDITURES				
Current:				
General government	7,186,856	356,381	390,148	7,933,385
Public safety	5,444,509	2,722,366	72,019	8,238,894
Public transportation	3,195,477	-	-	3,195,477
Legal	1,786,162	-	242,996	2,029,158
Library	202,190	-	-	202,190
Debt service:				
Principal	894,588	-	-	894,588
Interest	36,061	-	-	36,061
Total expenditures	<u>18,745,843</u>	<u>3,078,747</u>	<u>705,163</u>	<u>22,529,753</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>161,306</u>	<u>21,998</u>	<u>285,826</u>	<u>469,130</u>
OTHER FINANCING SOURCES (USES)				
Leases issued	1,445,702	-	-	1,445,702
Sale of capital assets	741,716	-	-	741,716
Insurance recoveries	31,679	-	-	31,679
Total other financing sources and (uses)	<u>2,219,097</u>	<u>-</u>	<u>-</u>	<u>2,219,097</u>
NET CHANGE IN FUND BALANCES	2,380,403	21,998	285,826	2,688,227
FUND BALANCES, BEGINNING	<u>11,038,399</u>	<u>704</u>	<u>1,341,209</u>	<u>12,380,312</u>
PRIOR PERIOD ADJUSTMENT	<u>166,697</u>	<u>-</u>	<u>-</u>	<u>166,697</u>
FUND BALANCES, ENDING	<u>\$ 13,585,499</u>	<u>\$ 22,702</u>	<u>\$ 1,627,035</u>	<u>\$ 15,235,236</u>

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

UPSHUR COUNTY, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 15,235,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,482,764
The net pension liability is not an available resource and, therefore, is not reported in the funds.	362,511
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,392,782
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,266,708)</u>
Net position of governmental activities	\$ <u>21,206,585</u>

UPSHUR COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the Statement of Activities (page 8) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 2,688,227
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(103,998)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(572,250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(25,090)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(401,283)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>813,260</u>
Change in net position of governmental activities (page 9)	\$ <u>2,398,866</u>

UPSHUR COUNTY, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 14,710,048	\$ 14,710,048	\$ 15,172,712	\$ 462,664
Licenses and permits	838,500	838,500	1,033,626	195,126
Intergovernmental	199,300	199,300	205,728	6,428
Charges for services	1,166,249	1,166,249	1,733,026	566,777
Fines	350,120	350,120	321,074	(29,046)
Interest	10,680	10,920	91,617	80,697
Miscellaneous	202,300	212,210	349,366	137,156
Total revenues	<u>17,477,197</u>	<u>17,487,347</u>	<u>18,907,149</u>	<u>1,419,802</u>
EXPENDITURES				
Current:				
General government	6,987,422	6,815,999	7,186,856	(370,857)
Public safety	5,288,699	5,429,385	5,444,509	(15,124)
Public transportation	3,364,772	3,426,177	3,195,477	230,700
Legal	1,960,920	2,001,146	1,786,162	214,984
Library	200,089	202,190	202,190	-
Debt service:				
Principal	225,359	227,256	894,588	(667,332)
Interest	25,048	24,351	36,061	(11,710)
Total expenditures	<u>18,052,309</u>	<u>18,126,504</u>	<u>18,745,843</u>	<u>(619,339)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(575,112)</u>	<u>(639,157)</u>	<u>161,306</u>	<u>800,463</u>
OTHER FINANCING SOURCES				
Leases issued	-	-	1,445,702	1,445,702
Sale of capital assets	-	-	741,716	741,716
Insurance recoveries	50,000	50,000	31,679	(18,321)
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>2,219,097</u>	<u>2,169,097</u>
NET CHANGE IN FUND BALANCES	<u>(525,112)</u>	<u>(589,157)</u>	<u>2,380,403</u>	<u>2,969,560</u>
FUND BALANCES, BEGINNING	<u>11,038,399</u>	<u>11,038,399</u>	<u>11,038,399</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>166,697</u>	<u>166,697</u>
FUND BALANCES, ENDING	<u>\$ 10,513,287</u>	<u>\$ 10,449,242</u>	<u>\$ 13,585,499</u>	<u>\$ 3,136,257</u>

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

UPSHUR COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the Statement of Activities (page 8) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 2,688,227
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(103,998)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(572,250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(25,090)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(401,283)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>813,260</u>
Change in net position of governmental activities (page 9)	<u>\$ 2,398,866</u>

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

	Private Purpose Trusts	Custodial Funds
ASSETS		
Cash and investments	\$ <u>1,631,978</u>	\$ <u>2,759,628</u>
Total assets	<u>1,631,978</u>	<u>2,759,628</u>
LIABILITIES		
Due to other governments	<u>150,260</u>	<u>57,599</u>
Total liabilities	<u>150,260</u>	<u>57,599</u>
NET POSITION		
Restricted for individuals, organizations, and other governments	<u>1,481,718</u>	<u>2,702,029</u>
Total net position	<u>\$ 1,481,718</u>	<u>\$ 2,702,029</u>

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

	<u>Trusts Funds</u>	<u>Custodial Funds</u>
Increases		
Contributions from judgements	\$ -	\$ 307,028
Lease revenue	324,000	-
Interest	9,188	5,503
Deposits held	412,833	42,675,141
Bonds received	<u>-</u>	<u>5,200</u>
Total increases	<u>746,021</u>	<u>42,992,872</u>
Decreases		
Bonds refunded	-	68,540
Legal ads and notices	1,673	-
Commissary purchases	81,900	-
Commission paid to inmate welfare-commissary	47,647	-
Sales revenue to inmate welfare-non-commissary	208,407	-
Deposits returned	48,631	-
Disbursements to beneficiaries	24,660	42,648,058
School allocations	<u>200,000</u>	<u>-</u>
Total decreases	<u>612,918</u>	<u>42,716,598</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	133,103	276,274
NET POSITION, BEGINNING	<u>1,348,615</u>	<u>2,425,755</u>
NET POSITION, ENDING	<u>\$ 1,481,718</u>	<u>\$ 2,702,029</u>

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

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

	Private Purpose Trusts	Custodial Funds
ASSETS		
Cash and investments	\$ <u>1,631,978</u>	\$ <u>2,759,628</u>
Total assets	<u>1,631,978</u>	<u>2,759,628</u>
LIABILITIES		
Due to other governments	<u>150,260</u>	<u>57,599</u>
Total liabilities	<u>150,260</u>	<u>57,599</u>
NET POSITION		
Restricted for individuals, organizations, and other governments	<u>1,481,718</u>	<u>2,702,029</u>
Total net position	\$ <u>1,481,718</u>	\$ <u>2,702,029</u>

UPSHUR COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upshur County, Texas, (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," establishes criteria that should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were 1) financial accountability, 2) appointment of voting majority, 3) imposition of will, 4) financial burden to or a burden on a primary government, and 5) financial accountability as a result of fiscal dependency.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Upshur County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but 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 County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

Related Organizations

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of many organizations. Positions on these boards are appointed in certain instances in entirety, partially, or with Commissioners' Court members.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The government has no business-type activities, or component units.

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The **American Rescue Plan Grant** is used to account for grant awards and other funding related to the American Rescue Plan Grant.

Additionally, the County reports the following fund types:

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

Debt Service Funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Private-purpose Trust Funds are used to account for investments, interest, rent and royalties for the benefit of various school districts in the County. The revenues are distributed to various school districts.

Custodial Funds are used to account for the assets held by the County as an agent for individuals, private organizations or other governments. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its governmental operations.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

UPSHUR COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upshur County, Texas, (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity

GASB Statement No. 14, "*The Financial Reporting Entity*," establishes criteria that should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were 1) financial accountability, 2) appointment of voting majority, 3) imposition of will, 4) financial burden to or a burden on a primary government, and 5) financial accountability as a result of fiscal dependency.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Upshur County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but 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 County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

Related Organizations

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of many organizations. Positions on these boards are appointed in certain instances in entirety, partially, or with Commissioners' Court members.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The government has no business-type activities, or component units.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Cash and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the state. Investments are stated at fair value.

Investment earnings are allocated to the respective funds based on the cash balances outstanding at the end of each month.

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."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 45% of the total tax receivable balance.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Prepaid Items

Certain payments to vendor reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in economic or demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

- Unavailable revenue – The governmental funds report unavailable revenues from three sources: property taxes and court fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in economic or demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five-year period.

Capital Assets

Capital assets, which included property and equipment, are included in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Compensated Absences

The County's personnel policy permits employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements.

Leases

The County has entered into various lease agreements as either lessee or lessor. Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee

The County is a lessee for noncancellable leases of equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Cash and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the state. Investments are stated at fair value.

Investment earnings are allocated to the respective funds based on the cash balances outstanding at the end of each month.

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."

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Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Prepaid Items

Certain payments to vendor reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in economic or demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, 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 legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners' Court, the County's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When expenditures are incurred for purposes for which both restricted and unassigned fund balance is available, the County considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned.

Net Position

Net position represents the difference between assets, deferred outflows/inflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the 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.

Change in Accounting Principle

GASB Statement No. 87, Leases, was adopted effective October 1, 2021. The statement addresses accounting and financial reporting for lease contracts. Statement No. 87 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of the beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$103,998) difference are as follows:

Capital outlay	\$ 2,260,423
Depreciation expense	<u>(2,364,421)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$(<u>103,998</u>)

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$(25,090) difference are as follows:

Unavailable revenue - property taxes	\$(15,369)
Unavailable revenue - court fines and fees	<u>(9,721)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$(<u>25,090</u>)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, 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 legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners' Court, the County's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on the cash basis. Once approved, the Commissioners' Court may amend the legally adopted budget when unexpected modifications are required in estimated revenue and appropriations.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations by the following amounts:

- General government \$370,857
- Public safety \$15,124
- Principal \$667,332
- Interest \$11,710

This overage was funded with greater than anticipated revenue.

B. Deficit Fund Balances

The following funds had deficit equity balances as of September 30, 2022:

<u>Governmental funds</u>	<u>Deficit</u>
Family Violence Intervention Program	\$ 1,373
Law Library	1,251
Sheriff NIBRS Grant	3
CTIF TxDot Grant	<u>1,206</u>
Total	<u>\$ 3,833</u>

If funding from outside sources does not become available to cover these deficit fund balances, the County plans to transfer funds to cover the deficit from the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the County had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 18,469,829	25

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

TexPool, the Texas Local Government Investment Pool, operates in a manner consistent with GASB No. 79 criteria. The County's investment in TexPool is reported at amortized cost. The pool is subject to regulatory oversight by the Texas State Comptroller, although it is not registered with the Securities and Exchange Commission ("SEC").

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2022, the County's deposit value was fully collateralized with securities held by the pledging financial institutions.

Credit Risk. It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County's investment pool is rated AAAM by Standard & Poor's Investors Service.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

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:

	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:			
Taxes	\$ 4,333,434	\$ 103,290	\$ 4,436,724
Adjudicated fines	1,265,122	-	1,265,122
Miscellaneous	269	-	269
Intergovernmental	17,039	12,136	29,175
Allowance	<u>(2,813,191)</u>	<u>(46,481)</u>	<u>(2,859,672)</u>
Total receivables	<u>\$ 2,802,673</u>	<u>\$ 68,945</u>	<u>\$ 2,871,618</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on the cash basis. Once approved, the Commissioners' Court may amend the legally adopted budget when unexpected modifications are required in estimated revenue and appropriations.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations by the following amounts:

- General government \$370,857
- Public safety \$15,124
- Principal \$667,332
- Interest \$11,710

This overage was funded with greater than anticipated revenue.

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The following funds had deficit equity balances as of September 30, 2022:

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Law Library	1,251
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CTIF TxDot Grant	<u>1,206</u>
Total	<u>\$ 3,833</u>

If funding from outside sources does not become available to cover these deficit fund balances, the County plans to transfer funds to cover the deficit from the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the County had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 18,469,829	25

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

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 460,998	\$ -	\$ -	\$ 460,998
Total capital assets not being depreciated	460,998	-	-	460,998
Capital assets, being depreciated:				
Buildings	9,482,620	-	-	9,482,620
Furniture and equipment	7,312,531	421,285	(1,003,200)	6,730,616
Right to use: equipment	788,541	1,839,138	-	2,627,679
Total capital assets being depreciated	17,583,692	2,260,423	(1,003,200)	18,840,915
Less accumulated depreciation:				
Buildings	5,776,304	311,730	-	6,088,034
Furniture and equipment	5,216,373	368,073	(601,917)	4,982,529
Right to use: equipment	63,968	1,684,618	-	1,748,586
Total accumulated depreciation	11,056,645	2,364,421	(601,917)	12,819,149
Total capital assets, being depreciated, net	6,527,047	(103,998)	(401,283)	6,021,766
Governmental activities capital assets, net	\$ 6,988,045	\$(103,998)	\$(401,283)	\$ 6,482,764

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government		\$ 284,664
Legal		27,068
Public safety		97,392
Public transportation		1,955,297
Total depreciation expense - governmental activities		\$ 2,364,421

D. Interfund Receivables, Payables

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

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental	20,951
Total		\$ 20,951

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

E. Long-term Debt

Changes in long-term liabilities for the year ended September 30, 2022, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Financing arrangements	\$ 757,619	\$ -	\$ 757,619	\$ -	\$ -
Lease payable	1,158,652	1,445,702	136,969	2,467,385	262,843
Compensated absences	757,915	518,192	497,056	779,051	155,810
Governmental activity long-term liabilities	\$ 2,674,186	\$ 1,963,894	\$ 1,391,644	\$ 3,246,436	\$ 418,653

F. Lease Payable

A summary of leases payable as of September 30, 2022, are as follows for governmental activities:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Liability	Interest Current Year	Amounts Outstanding 09/30/22	Amounts Due Within One Year
Governmental activities:						
Right to Use:						
Copier	0.7120%	2021	\$ 22,403	\$ 7,739	\$ 18,540	\$ 4,228
Election equipment	3.125%	2021	449,967	13,754	382,900	59,009
Tractor equipment	2.85 - 3.10%	2021	2,627,679	14,723	2,065,945	199,606
Total governmental activities				\$ 36,216	\$ 2,467,385	\$ 262,843

The future principal and interest lease payments as of September 30, 2022, are as follows for governmental activities:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2023	\$ 262,843	\$ 71,505	\$ 334,348
2024	270,489	63,859	334,348
2025	278,360	55,988	334,348
2026	524,735	47,886	572,621
2027	1,062,132	32,760	1,094,892
2028	68,826	2,150	70,976
Totals	\$ 2,467,385	\$ 274,148	\$ 2,741,533

V. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The number of settlements has not exceeded insurance coverage in any of the previous three years.

During the year ended September 30, 1990, the County established an employee medical benefit plan (the Plan) to self-insure claims up to \$75,000 per year for each individual covered; claims above \$75,000 are covered by a stop-loss insurance policy. The County and its covered employees contribute to the fund to pay claims and stop-loss insurance premiums. At September 30, 2022, officials believe that the County has made provisions sufficient to cover estimated claims, including claims incurred, but not yet reported.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2022, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 460,998	\$ -	\$ -	\$ 460,998
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Governmental activity long-term liabilities	\$ 2,674,186	\$ 1,963,894	\$ 1,391,644	\$ 3,246,436	\$ 418,653

B. Retirement Plan

Plan Description

The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tcdrs.org.

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.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	244
Active employees	<u>213</u>
	<u>624</u>

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, 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. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 6.37% and 9.16% in calendar years 2021 and 2022, respectively. The County's contributions to TCDRS for the year ended September 30, 2022, were \$707,193, \$169,913 more than the required contributions.

Net Pension Asset

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

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total pension liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

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.

B. Retirement Plan

Plan Description

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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.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

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Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 6.37% and 9.16% in calendar years 2021 and 2022, respectively. The County's contributions to TCDRS for the year ended September 30, 2022, were \$707,193, \$169,913 more than the required contributions.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at 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. See Milliman's TCDRS Investigation of Experience report for more details:

		Target ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US 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	MSCI World Ex USA (net)	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-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 ⁽³⁾	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 ⁽⁴⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

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

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

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

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in the Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at 12/31/2020	\$ 42,465,788	\$ 42,098,582	\$ 367,206
Changes for the year:			
Service cost	836,547	-	836,547
Interest on total pension liability ⁽¹⁾	3,198,101	-	3,198,101
Effect of plan Changes ⁽²⁾	808,289	-	808,289
Effect of economic/demographic gains or losses	95,089	-	95,089
Effect of assumptions changes or inputs	(180,481)	-	(180,481)
Refund of contributions	(169,060)	(169,060)	-
Benefit payments	(2,320,659)	(2,320,659)	-
Administrative expenses	-	(26,956)	26,956
Member contributions	-	613,522	(613,522)
Net investment income	-	9,095,634	(9,095,634)
Employer contributions	-	559,372	(559,372)
Other ⁽³⁾	-	(25,713)	25,713
Balance at 12/31/2021	<u>\$ 44,733,614</u>	<u>\$ 49,824,722</u>	<u>\$(5,091,108)</u>

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

⁽²⁾ Reflects plan changes adopted effective in 2022.

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

Sensitivity Analysis

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

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 50,234,339	\$ 44,733,615	\$ 40,103,766
Fiduciary net position	<u>49,824,723</u>	<u>49,824,723</u>	<u>49,824,723</u>
Net pension liability/(asset)	<u>\$ 409,616</u>	<u>\$(5,091,108)</u>	<u>\$(9,720,957)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

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

For the year ended September 30, 2022, the County recognized pension income of \$91,896. At September 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 63,393	\$ 208,005
Changes in actuarial assumptions	733,902	120,321
Difference between projected and actual investment earnings	-	5,771,886
Contributions subsequent to the measurement date	<u>574,320</u>	<u>-</u>
Total	<u>\$ 1,371,615</u>	<u>\$ 6,100,212</u>

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at 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. See Milliman's TCDRS Investigation of Experience report for more details:

		<u>Target⁽¹⁾</u>	<u>Geometric Real Rate of Return⁽²⁾</u>
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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 equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

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

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

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Discount Rate

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

\$574,320 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

For The Year Ended September 30,	
2023	(744,125)
2024	(1,993,764)
2025	(1,375,582)
2026	(1,189,446)

VI. Future Financial Reporting Requirements

Significant new accounting standards not yet implemented by the County include the following:

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange like transaction. GASB 94 will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

The County has not yet determined the impact of implementation of the new standards.

VII. Prior Period Adjustment

The prior period adjustment of \$166,697 was to record the activity of the Sheriff-Inmate Welfare bank account. The bank account was previously recorded as a custodial fund.

UPSHUR COUNTY, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

SEPTEMBER 30, 2022

Measurement Date December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability			
Service Cost	\$ 836,547	\$ 788,631	\$ 744,513
Interest total pension liability	3,198,101	3,153,007	3,027,537
Effect of plan changes	808,289	-	-
Effect of assumption changes or inputs	(180,481)	2,201,707	-
Effect of economic/demographic (gains) or losses	95,089	(603,957)	(26,743)
Benefit payments/refunds of contributions	(2,489,719)	(2,375,718)	(2,110,270)
Net change in total pension liability	2,267,826	3,163,670	1,635,037
Total pension liability - beginning	<u>42,465,788</u>	<u>39,302,118</u>	<u>37,667,081</u>
Total pension liability - ending (a)	<u>\$ 44,733,614</u>	<u>\$ 42,465,788</u>	<u>\$ 39,302,118</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 559,372	\$ 523,586	\$ 463,768
Member contributions	613,522	547,032	530,454
Investment income net of investment expenses	9,095,634	4,067,766	5,725,049
Benefit payments/refunds of contributions	(2,489,719)	(2,375,718)	(2,110,270)
Administrative expenses	(26,956)	(30,804)	(30,025)
Other	(25,713)	(34,715)	(32,722)
Net change in plan fiduciary net position	7,726,140	2,697,147	4,546,254
Plan fiduciary net position - beginning	<u>42,098,582</u>	<u>39,401,435</u>	<u>34,855,181</u>
Plan fiduciary net position - ending (b)	<u>49,824,722</u>	<u>42,098,582</u>	<u>39,401,435</u>
Net pension liability / (asset), ending (a) - (b)	<u>\$(5,091,108)</u>	<u>\$ 367,206</u>	<u>\$(99,317)</u>
Fiduciary net position as a percentage of total pension liability	111.38%	99.14%	100.25%
Pensionable covered payroll	\$ 8,764,603	\$ 7,814,736	\$ 7,577,915
Net pension liability/(asset) as a percentage of covered payroll	-58.09%	4.70%	-1.31%

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	776,007	\$ 767,721	\$ 820,431	\$ 788,144	\$ 789,263
	2,914,987	2,822,134	2,664,959	2,547,645	2,446,329
	-	-	-	(73,696)	-
	-	131,632	-	348,733	-
(	187,960)	(530,616)	47,927	(178,427)	(412,926)
(	<u>2,054,863</u>)	(<u>2,050,881</u>)	(<u>1,869,364</u>)	(<u>1,860,913</u>)	(<u>1,557,281</u>)
	1,448,171	1,139,990	1,663,953	1,571,486	1,265,385
	<u>36,218,910</u>	<u>35,078,920</u>	<u>33,414,998</u>	<u>31,843,512</u>	<u>30,578,127</u>
\$	<u>37,667,081</u>	\$ <u>36,218,910</u>	\$ <u>35,078,951</u>	\$ <u>33,414,998</u>	\$ <u>31,843,512</u>
\$	494,592	\$ 430,934	\$ 457,678	\$ 450,549	\$ 469,153
	524,568	495,692	486,893	463,120	452,976
(	694,168)	4,799,450	2,341,438	(114,861)	2,146,140
(	<u>2,054,863</u>)	(<u>2,050,881</u>)	(<u>1,869,364</u>)	(<u>1,860,914</u>)	(<u>1,557,281</u>)
(	<u>27,996</u>)	(<u>24,367</u>)	(<u>25,427</u>)	(<u>23,151</u>)	(<u>24,740</u>)
(	<u>27,176</u>)	(<u>15,296</u>)	(<u>75,068</u>)	(<u>15,765</u>)	(<u>192,261</u>)
(	1,785,043)	3,635,532	1,316,150	(1,101,022)	1,293,987
	<u>36,640,224</u>	<u>33,004,692</u>	<u>31,688,573</u>	<u>32,789,595</u>	<u>31,495,608</u>
	<u>34,855,181</u>	<u>36,640,224</u>	<u>33,004,723</u>	<u>31,688,573</u>	<u>32,789,595</u>
\$	<u>2,811,900</u>	\$ (<u>421,314</u>)	\$ <u>2,074,228</u>	\$ <u>1,726,425</u>	\$ (<u>946,083</u>)
	92.53%	101.16%	94.09%	94.83%	102.97%
\$	7,493,833	\$ 7,029,861	\$ 6,955,616	\$ 6,615,994	\$ 6,471,084
	37.52%	-5.99%	29.82%	26.09%	-14.62%

UPSHUR COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2022

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	\$ 524,542	\$ 524,542	\$ -	\$ 6,466,763	8.1%
2015	454,689	454,689	-	6,572,191	6.9%
2016	457,380	457,380	-	6,892,415	6.6%
2017	433,992	433,992	-	6,951,911	6.2%
2018	482,898	482,898	-	7,446,203	6.5%
2019	466,266	466,266	-	7,472,296	6.2%
2020	513,633	513,633	-	7,836,933	6.6%
2021	556,108	556,108	-	8,629,065	6.4%
2022	537,280	707,193	169,913	8,355,802	6.4%

(1) Payroll is calculated based on contributions as reported to TCDRS.

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.

	2018	2017	2016	2015	2014
\$	776,007	\$ 767,721	\$ 820,431	\$ 788,144	\$ 789,263
	2,914,987	2,822,134	2,664,959	2,547,645	2,446,329
	-	-	-	(73,696)	-
	-	131,632	-	348,733	-
(	187,960)	(530,616)	47,927	(178,427)	(412,926)
(	2,054,863)	(2,050,881)	(1,869,364)	(1,860,913)	(1,557,281)
	1,448,171	1,139,990	1,663,953	1,571,486	1,265,385
	<u>36,218,910</u>	<u>35,078,920</u>	<u>33,414,998</u>	<u>31,843,512</u>	<u>30,578,127</u>
\$	<u>37,667,081</u>	<u>\$ 36,218,910</u>	<u>\$ 35,078,951</u>	<u>\$ 33,414,998</u>	<u>\$ 31,843,512</u>
\$	494,592	\$ 430,934	\$ 457,678	\$ 450,549	\$ 469,153
	524,568	495,692	486,893	463,120	452,976
(	694,168)	4,799,450	2,341,438	(114,861)	2,146,140
(	2,054,863)	(2,050,881)	(1,869,364)	(1,860,914)	(1,557,281)
(	27,996)	(24,367)	(25,427)	(23,151)	(24,740)
(	27,176)	(15,296)	(75,068)	(15,765)	(192,261)
(	1,785,043)	3,635,532	1,316,150	(1,101,022)	1,293,987
	<u>36,640,224</u>	<u>33,004,692</u>	<u>31,688,573</u>	<u>32,789,595</u>	<u>31,495,608</u>
	<u>34,855,181</u>	<u>36,640,224</u>	<u>33,004,723</u>	<u>31,688,573</u>	<u>32,789,595</u>
\$	<u>2,811,900</u>	<u>\$(421,314)</u>	<u>\$ 2,074,228</u>	<u>\$ 1,726,425</u>	<u>\$(946,083)</u>
	92.53%	101.16%	94.09%	94.83%	102.97%
\$	7,493,833	\$ 7,029,861	\$ 6,955,616	\$ 6,615,994	\$ 6,471,084
	37.52%	-5.99%	29.82%	26.09%	-14.62%

UPSHUR COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2022

Valuation Date:	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.
Methods and assumptions used to determine contributions rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.9 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*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

**Only changes effective 2015 and later are shown in the Notes to the Schedule of Employer Contributions.*

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COMBINING FUND STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are legally restricted for expenditure for particular purposes. The County's Special Revenue Funds are as follows:

CETRZ

Sheriff's Special

District Clerk Records

D. A. Forfeiture

Records Management Fee

Records Management and Other

County Clerk Records Management and Other

District Clerk Records Management and Other

Courthouse Security

Local Law Enforcement Block Grant

County and District Court Preservation

Family Violence Intervention Program

Project Lifesaver

County and District Technology

Law Library

D. A. Art 53.08 Fees

Law Enforcement Education

Judicial Education

Child Protection Fee

Arson Task Force

Election Refund

FEMA

Drug Interdiction

Justice of the Peace Court Technology

District Clerk Record Archive

JP Courthouse Security

Records Archive Fee

Texas Parks & Wildlife Fines

COMBINING FUND STATEMENTS

JP Bond Account

Victims' Assistance Grant

Court Initiated Guardianship

Court Facility

Language Access

County Jury

Justice Court Support

Asset Forfeiture DEA

Pretrial Intervention Program

Tax Office VIT Interest Fund

Sheriff NIBRS Grant

Union Grove Water Grant

HAVA Grant

CTIF TxDot Grant

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DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for the accumulation of resources and payment of certificate of obligation principal and interest from governmental resources.

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

	Special Revenue				
	104	271	222	250	224
	CETRZ	Sheriff's Special	District Clerk Records	D.A. Forfeiture	Records Management Fee
ASSETS					
Cash and investments	\$ 30,942	\$ 274,650	\$ 19,504	\$ 9,607	\$ 423,832
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>30,942</u>	<u>274,650</u>	<u>19,504</u>	<u>9,607</u>	<u>423,832</u>
LIABILITIES					
Accounts payable	-	69	-	104	988
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>69</u>	<u>-</u>	<u>104</u>	<u>988</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Child protection	-	-	-	-	-
County and district clerk services	-	-	19,504	-	422,844
Court security and technology	-	-	-	-	-
District Attorney	-	-	-	9,503	-
Drug enforcement	-	-	-	-	-
Elections	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Forfeiture	-	-	-	-	-
Judicial education	-	-	-	-	-
Law enforcement	-	274,581	-	-	-
Debt service	-	-	-	-	-
Other	30,942	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>30,942</u>	<u>274,581</u>	<u>19,504</u>	<u>9,503</u>	<u>422,844</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 30,942</u>	<u>\$ 274,650</u>	<u>\$ 19,504</u>	<u>\$ 9,607</u>	<u>\$ 423,832</u>

DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for the accumulation of resources and payment of certificate of obligation principal and interest from governmental resources.

Special Revenue

201 Records Management and Other	215 County Clerk Records Management and Other	216 District Clerk Records Management and Other	200 Courthouse Security	276 Local Law Enforcement Block Grant	220 County and District Court Preservation
\$ 133,110	\$ 2,935	\$ 11,790	\$ 63,074	\$ 1,127	\$ 103,186
-	-	-	-	-	-
<u>133,110</u>	<u>2,935</u>	<u>11,790</u>	<u>63,074</u>	<u>1,127</u>	<u>103,186</u>
-	-	275	513	-	-
-	-	<u>275</u>	<u>513</u>	-	-
-	-	-	-	-	-
-	-	-	-	-	-
133,110	2,935	11,515	-	-	-
-	-	-	62,561	-	103,186
-	-	-	-	-	-
-	-	-	-	1,127	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>133,110</u>	<u>2,935</u>	<u>11,515</u>	<u>62,561</u>	<u>1,127</u>	<u>103,186</u>
\$ <u>133,110</u>	\$ <u>2,935</u>	\$ <u>11,790</u>	\$ <u>63,074</u>	\$ <u>1,127</u>	\$ <u>103,186</u>

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

	Special Revenue				
	300 Family Violence Intervention Program	274 Project Lifesaver	221 County and District Technology	202 Law Library	255 D.A. Art 53.08 Fees
ASSETS					
Cash and investments	\$ -	\$ 5,048	\$ 10,322	\$ 10,749	\$ 1,042
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other governments	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,950</u>	<u>5,048</u>	<u>10,322</u>	<u>10,749</u>	<u>1,042</u>
LIABILITIES					
Accounts payable	909	-	-	-	-
Due to other funds	<u>3,414</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
Total liabilities	<u>4,323</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Child protection	-	-	-	-	-
County and district clerk services	-	-	-	-	-
Court security and technology	-	-	10,322	-	-
District Attorney	-	-	-	-	1,042
Drug enforcement	-	-	-	-	-
Elections	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Forfeiture	-	-	-	-	-
Judicial education	-	-	-	-	-
Law enforcement	-	-	-	-	-
Debt service	-	-	-	-	-
Other	-	5,048	-	-	-
Unassigned	<u>(1,373)</u>	<u>-</u>	<u>-</u>	<u>(1,251)</u>	<u>-</u>
Total fund balances	<u>(1,373)</u>	<u>5,048</u>	<u>10,322</u>	<u>(1,251)</u>	<u>1,042</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,950</u>	<u>\$ 5,048</u>	<u>\$ 10,322</u>	<u>\$ 10,749</u>	<u>\$ 1,042</u>

Special Revenue

201 Records Management and Other	215 County Clerk Records Management and Other	216 District Clerk Records Management and Other	200 Courthouse Security	276 Local Law Enforcement Block Grant	220 County and District Court Preservation
\$ 133,110	\$ 2,935	\$ 11,790	\$ 63,074	\$ 1,127	\$ 103,186
-	-	-	-	-	-
<u>133,110</u>	<u>2,935</u>	<u>11,790</u>	<u>63,074</u>	<u>1,127</u>	<u>103,186</u>
-	-	275	513	-	-
-	-	-	-	-	-
-	-	<u>275</u>	<u>513</u>	-	-
-	-	-	-	-	-
-	-	-	-	-	-
133,110	2,935	11,515	-	-	103,186
-	-	-	62,561	-	-
-	-	-	-	-	-
-	-	-	-	1,127	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>133,110</u>	<u>2,935</u>	<u>11,515</u>	<u>62,561</u>	<u>1,127</u>	<u>103,186</u>
<u>\$ 133,110</u>	<u>\$ 2,935</u>	<u>\$ 11,790</u>	<u>\$ 63,074</u>	<u>\$ 1,127</u>	<u>\$ 103,186</u>

Special Revenue

272	229	203	275	226	303
Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force	Election Refund	FEMA
\$ 38,540	\$ 5,976	\$ 3,021	\$ 14,167	\$ 68,704	\$ 19,691
-	-	-	-	-	-
<u>38,540</u>	<u>5,976</u>	<u>3,021</u>	<u>14,167</u>	<u>68,704</u>	<u>19,691</u>
250	-	-	-	57	-
-	-	-	-	-	-
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,021	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	68,647	-
38,290	-	-	-	-	19,691
-	5,976	-	-	-	-
-	-	-	14,167	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,290</u>	<u>5,976</u>	<u>3,021</u>	<u>14,167</u>	<u>68,647</u>	<u>19,691</u>
\$ <u>38,540</u>	\$ <u>5,976</u>	\$ <u>3,021</u>	\$ <u>14,167</u>	\$ <u>68,704</u>	\$ <u>19,691</u>

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

	Special Revenue				
	290	227	223	228	225
	Drug Interdiction	Justice of the Peace Court Technology	District Clerk Record Archive	JP Courthouse Security	Records Archive Fee
ASSETS					
Cash and investments	\$ 885	\$ 52,046	\$ 56,785	\$ 25,152	\$ 128,059
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>885</u>	<u>52,046</u>	<u>56,785</u>	<u>25,152</u>	<u>128,059</u>
LIABILITIES					
Accounts payable	-	366	-	-	450
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>366</u>	<u>-</u>	<u>-</u>	<u>450</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Child protection	-	-	-	-	-
County and district clerk services	-	-	56,785	-	127,609
Court security and technology	-	51,680	-	25,152	-
District Attorney	-	-	-	-	-
Drug enforcement	885	-	-	-	-
Elections	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Forfeiture	-	-	-	-	-
Judicial education	-	-	-	-	-
Law enforcement	-	-	-	-	-
Debt service	-	-	-	-	-
Other	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>885</u>	<u>51,680</u>	<u>56,785</u>	<u>25,152</u>	<u>127,609</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 885</u>	<u>\$ 52,046</u>	<u>\$ 56,785</u>	<u>\$ 25,152</u>	<u>\$ 128,059</u>

Special Revenue					
272	229	203	275	226	303
Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force	Election Refund	FEMA
\$ 38,540	\$ 5,976	\$ 3,021	\$ 14,167	\$ 68,704	\$ 19,691
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,540</u>	<u>5,976</u>	<u>3,021</u>	<u>14,167</u>	<u>68,704</u>	<u>19,691</u>
250	-	-	-	57	-
-	-	-	-	-	-
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	3,021	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	68,647	-
38,290	-	-	-	-	19,691
-	5,976	-	-	-	-
-	-	-	14,167	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,290</u>	<u>5,976</u>	<u>3,021</u>	<u>14,167</u>	<u>68,647</u>	<u>19,691</u>
\$ <u>38,540</u>	\$ <u>5,976</u>	\$ <u>3,021</u>	\$ <u>14,167</u>	\$ <u>68,704</u>	\$ <u>19,691</u>

Special Revenue					
702 Texas Parks and Wildlife Fines	184 JP Bond Account	308 Victims' Assistance Grant	230 Court Initiated Guardianship	231 Court Facility	232 Language Access
\$ 2,563	\$ 4,981	\$ -	\$ 36,465	\$ 9,920	\$ 2,955
-	-	-	-	-	-
<u>2,563</u>	<u>4,981</u>	<u>9,186</u>	<u>36,465</u>	<u>9,920</u>	<u>2,955</u>
2,563	4,981	597	-	-	-
-	-	4,328	-	-	-
<u>2,563</u>	<u>4,981</u>	<u>4,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	36,465	9,920	2,955
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,261	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>4,261</u>	<u>36,465</u>	<u>9,920</u>	<u>2,955</u>
<u>\$ 2,563</u>	<u>\$ 4,981</u>	<u>\$ 9,186</u>	<u>\$ 36,465</u>	<u>\$ 9,920</u>	<u>\$ 2,955</u>

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

	Special Revenue				
	233	234	270	251	240
	County Jury	Justice Court Support	Asset Forfeiture DEA	Pretrial Intervention Program	Tax Office VIT Interest Fund
ASSETS					
Cash and investments	\$ 4,921	\$ 12,225	\$ 5,283	\$ 11,555	\$ 14,902
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other sources	-	-	-	-	-
Total assets	<u>4,921</u>	<u>12,225</u>	<u>5,283</u>	<u>11,555</u>	<u>14,902</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	-	448	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Child protection	4,921	12,225	-	-	-
County and district clerk services	-	-	-	-	-
Court security and technology	-	-	-	-	-
District Attorney	-	-	-	11,107	-
Drug enforcement	-	-	-	-	-
Elections	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Forfeiture	-	-	5,283	-	-
Judicial education	-	-	-	-	-
Law enforcement	-	-	-	-	-
Debt service	-	-	-	-	-
Other	-	-	-	-	14,902
Unassigned	-	-	-	-	-
	<u>4,921</u>	<u>12,225</u>	<u>5,283</u>	<u>11,107</u>	<u>14,902</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,921</u>	<u>\$ 12,225</u>	<u>\$ 5,283</u>	<u>\$ 11,555</u>	<u>\$ 14,902</u>

Special Revenue					
702 Texas Parks and Wildlife Fines	184 JP Bond Account	308 Victims' Assistance Grant	230 Court Initiated Guardianship	231 Court Facility	232 Language Access
\$ 2,563	\$ 4,981	\$ -	\$ 36,465	\$ 9,920	\$ 2,955
-	-	-	-	-	-
-	-	9,186	-	-	-
<u>2,563</u>	<u>4,981</u>	<u>9,186</u>	<u>36,465</u>	<u>9,920</u>	<u>2,955</u>
2,563	4,981	597	-	-	-
-	-	4,328	-	-	-
<u>2,563</u>	<u>4,981</u>	<u>4,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	36,465	9,920	2,955
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,261	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,261	36,465	9,920	2,955
<u>2,563</u>	<u>4,981</u>	<u>9,186</u>	<u>36,465</u>	<u>9,920</u>	<u>2,955</u>
\$ 2,563	\$ 4,981	\$ 9,186	\$ 36,465	\$ 9,920	\$ 2,955

Special Revenue				Debt Service	
309	321	304/310	324	401	
Sheriff NIBRS Grant	Union Grove Water Grant	HAVA Grant	CTIF TxDot Grant	Debt Service	Total Governmental Funds
\$ -	\$ -	226	\$ -	\$ 27,574	\$ 1,647,514
-	-	-	-	56,809	56,809
-	-	-	-	-	12,136
-	-	226	-	84,383	1,716,459
-	-	-	-	-	12,570
3	-	-	1,206	-	20,951
3	-	-	1,206	-	33,521
-	-	-	-	55,903	55,903
-	-	-	-	55,903	55,903
-	-	-	-	-	69,507
-	-	-	-	-	877,488
-	-	-	-	-	149,715
-	-	-	-	-	21,652
-	-	-	-	-	885
-	-	226	-	-	68,873
-	-	-	-	-	63,369
-	-	-	-	-	5,283
-	-	-	-	-	5,976
-	-	-	-	-	288,748
-	-	-	-	28,480	28,480
-	-	-	-	-	50,892
(3)	-	-	(1,206)	-	(3,833)
(3)	-	226	(1,206)	28,480	1,627,035
\$ -	\$ -	\$ 226	\$ -	\$ 84,383	\$ 1,716,459

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	104	271	222	250	224
	CETRZ	Sheriff's Special	District Clerk Records	D.A. Forfeiture	Records Management Fee
REVENUES					
Intergovernmental	\$ -	\$ 133,062	\$ -	\$ -	\$ -
Charges for services	-	-	1,277	-	110,348
Fines and forfeitures	-	-	-	2,354	-
Interest	-	1,549	-	60	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>134,611</u>	<u>1,277</u>	<u>2,414</u>	<u>110,348</u>
EXPENDITURES					
General government	-	-	-	-	41,489
Public safety	-	40,930	-	-	-
Legal	-	-	2,355	2,014	-
Total expenditures	<u>-</u>	<u>40,930</u>	<u>2,355</u>	<u>2,014</u>	<u>41,489</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>93,681</u>	<u>(1,078)</u>	<u>400</u>	<u>68,859</u>
NET CHANGE IN FUND BALANCES	-	93,681	(1,078)	400	68,859
FUND BALANCES, BEGINNING	<u>30,942</u>	<u>180,900</u>	<u>20,582</u>	<u>9,103</u>	<u>353,985</u>
FUND BALANCES, ENDING	<u>\$ 30,942</u>	<u>\$ 274,581</u>	<u>\$ 19,504</u>	<u>\$ 9,503</u>	<u>\$ 422,844</u>

Special Revenue				Debt Service	
309	321	304/310	324	401	
Sheriff NIBRS Grant	Union Grove Water Grant	HAVA Grant	CTIF TxDot Grant	Debt Service	Total Governmental Funds
\$ -	\$ -	226	\$ -	\$ 27,574	\$ 1,647,514
-	-	-	-	56,809	56,809
-	-	-	-	-	12,136
-	-	226	-	84,383	1,716,459
-	-	-	-	-	12,570
3	-	-	1,206	-	20,951
3	-	-	1,206	-	33,521
-	-	-	-	55,903	55,903
-	-	-	-	55,903	55,903
-	-	-	-	-	69,507
-	-	-	-	-	877,488
-	-	-	-	-	149,715
-	-	-	-	-	21,652
-	-	-	-	-	885
-	-	226	-	-	68,873
-	-	-	-	-	63,369
-	-	-	-	-	5,283
-	-	-	-	-	5,976
-	-	-	-	-	288,748
-	-	-	-	28,480	28,480
-	-	-	-	-	50,892
(3)	-	-	(1,206)	-	(3,833)
(3)	-	226	(1,206)	28,480	1,627,035
\$ -	\$ -	\$ 226	\$ -	\$ 84,383	\$ 1,716,459

Special Revenue					
201	215	216	200	276	220
Records Management and Other	County Clerk Records Management and Other	District Clerk Records Management and Other	Courthouse Security	Local Law Enforcement Block Grant	County and District Court Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,735	2,935	11,790	28,503	-	1,980
-	-	-	-	-	-
-	-	-	364	-	-
-	-	-	-	-	-
<u>5,735</u>	<u>2,935</u>	<u>11,790</u>	<u>28,867</u>	<u>-</u>	<u>1,980</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	275	21,553	-	-
-	-	275	21,553	-	-
<u>5,735</u>	<u>2,935</u>	<u>11,515</u>	<u>7,314</u>	<u>-</u>	<u>1,980</u>
5,735	2,935	11,515	7,314	-	1,980
<u>127,375</u>	<u>-</u>	<u>-</u>	<u>55,247</u>	<u>1,127</u>	<u>101,206</u>
\$ <u>133,110</u>	\$ <u>2,935</u>	\$ <u>11,515</u>	\$ <u>62,561</u>	\$ <u>1,127</u>	\$ <u>103,186</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	300	274	221	202	255
	Family Violence Intervention Program	Project Lifesaver	County and District Technology	Law Library	D.A. Art 53.08 Fees
REVENUES					
Intergovernmental	\$ 49,717	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	662	24,185	-
Fines and forfeitures	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	<u>46,075</u>	-	-	-	-
Total revenues	<u>95,792</u>	<u>-</u>	<u>662</u>	<u>24,185</u>	<u>-</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Legal	<u>95,793</u>	-	-	<u>29,953</u>	-
Total expenditures	<u>95,793</u>	<u>-</u>	<u>-</u>	<u>29,953</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1)</u>	<u>-</u>	<u>662</u>	<u>(5,768)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1)</u>	<u>-</u>	<u>662</u>	<u>(5,768)</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>(1,372)</u>	<u>5,048</u>	<u>9,660</u>	<u>4,517</u>	<u>1,042</u>
FUND BALANCES, ENDING	<u>\$(1,373)</u>	<u>\$ 5,048</u>	<u>\$ 10,322</u>	<u>\$(1,251)</u>	<u>\$ 1,042</u>

Special Revenue

201	215	216	200	276	220
Records Management and Other	County Clerk Records Management and Other	District Clerk Records Management and Other	Courthouse Security	Local Law Enforcement Block Grant	County and District Court Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,735	2,935	11,790	28,503	-	1,980
-	-	-	364	-	-
-	-	-	-	-	-
<u>5,735</u>	<u>2,935</u>	<u>11,790</u>	<u>28,867</u>	<u>-</u>	<u>1,980</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	275	21,553	-	-
<u>-</u>	<u>-</u>	<u>275</u>	<u>21,553</u>	<u>-</u>	<u>-</u>
<u>5,735</u>	<u>2,935</u>	<u>11,515</u>	<u>7,314</u>	<u>-</u>	<u>1,980</u>
5,735	2,935	11,515	7,314	-	1,980
<u>127,375</u>	<u>-</u>	<u>-</u>	<u>55,247</u>	<u>1,127</u>	<u>101,206</u>
<u>\$ 133,110</u>	<u>\$ 2,935</u>	<u>\$ 11,515</u>	<u>\$ 62,561</u>	<u>\$ 1,127</u>	<u>\$ 103,186</u>

Special Revenue					
272	229	203	275	226	303
Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force	Election Refund	FEMA
\$ 6,414	\$ -	\$ -	\$ -	\$ -	\$ -
-	935	-	-	9,443	-
-	-	690	-	-	-
-	-	-	-	-	-
<u>6,414</u>	<u>935</u>	<u>690</u>	<u>-</u>	<u>9,443</u>	<u>-</u>
140	528	-	-	22,115	-
3,277	-	2,500	-	-	-
936	-	-	-	-	-
<u>4,353</u>	<u>528</u>	<u>2,500</u>	<u>-</u>	<u>22,115</u>	<u>-</u>
<u>2,061</u>	<u>407</u>	<u>(1,810)</u>	<u>-</u>	<u>(12,672)</u>	<u>-</u>
2,061	407	(1,810)	-	(12,672)	-
<u>36,229</u>	<u>5,569</u>	<u>4,831</u>	<u>14,167</u>	<u>81,319</u>	<u>19,691</u>
<u>\$ 38,290</u>	<u>\$ 5,976</u>	<u>\$ 3,021</u>	<u>\$ 14,167</u>	<u>\$ 68,647</u>	<u>\$ 19,691</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	290	227	223	228	225
	Drug Interdiction	Justice of the Peace Court Technology	District Clerk Record Archive	JP Courthouse Security	Records Archive Fee
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	1,520	1,477	110,020
Fines and forfeitures	-	5,125	-	-	-
Interest	5	-	338	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>5</u>	<u>5,125</u>	<u>1,858</u>	<u>1,477</u>	<u>110,020</u>
EXPENDITURES					
General government	-	7,076	-	2,334	12,366
Public safety	-	-	-	-	-
Legal	-	-	-	-	-
Total expenditures	<u>-</u>	<u>7,076</u>	<u>-</u>	<u>2,334</u>	<u>12,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5</u>	<u>(1,951)</u>	<u>1,858</u>	<u>(857)</u>	<u>97,654</u>
NET CHANGE IN FUND BALANCES	5	(1,951)	1,858	(857)	97,654
FUND BALANCES, BEGINNING	<u>880</u>	<u>53,631</u>	<u>54,927</u>	<u>26,009</u>	<u>29,955</u>
FUND BALANCES, ENDING	<u>\$ 885</u>	<u>\$ 51,680</u>	<u>\$ 56,785</u>	<u>\$ 25,152</u>	<u>\$ 127,609</u>

Special Revenue

272	229	203	275	226	303
Law Enforcement Education	Judicial Education	Child Protection Fee	Arson Task Force	Election Refund	FEMA
\$ 6,414	\$ -	\$ -	\$ -	\$ -	\$ -
-	935	-	-	9,443	-
-	-	690	-	-	-
-	-	-	-	-	-
<u>6,414</u>	<u>935</u>	<u>690</u>	<u>-</u>	<u>9,443</u>	<u>-</u>
140	528	-	-	22,115	-
3,277	-	2,500	-	-	-
936	-	-	-	-	-
<u>4,353</u>	<u>528</u>	<u>2,500</u>	<u>-</u>	<u>22,115</u>	<u>-</u>
<u>2,061</u>	<u>407</u>	<u>(1,810)</u>	<u>-</u>	<u>(12,672)</u>	<u>-</u>
2,061	407	(1,810)	-	(12,672)	-
<u>36,229</u>	<u>5,569</u>	<u>4,831</u>	<u>14,167</u>	<u>81,319</u>	<u>19,691</u>
<u>\$ 38,290</u>	<u>\$ 5,976</u>	<u>\$ 3,021</u>	<u>\$ 14,167</u>	<u>\$ 68,647</u>	<u>\$ 19,691</u>

Special Revenue					
702	184	308	230	231	232
Texas Parks and Wildlife Fines	JP Bond Account	Victims' Assistance Grant	Court Initiated Guardianship	Court Facility	Language Access
\$ -	\$ -	\$ 74,172	\$ -	\$ -	\$ -
-	-	-	5,190	9,920	2,955
-	-	-	-	-	-
-	-	-	-	-	-
-	-	74,172	5,190	9,920	2,955
-	-	-	-	-	-
-	-	69,599	3,565	-	-
-	-	69,599	3,565	-	-
-	-	4,573	1,625	9,920	2,955
-	-	4,573	1,625	9,920	2,955
-	-	(312)	34,840	-	-
\$ -	\$ -	\$ 4,261	\$ 36,465	\$ 9,920	\$ 2,955

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	233	234	270	251	240
	County Jury	Justice Court Support	Asset Forfeiture DEA	Pretrial Intervention Program	Tax Office VIT Interest Fund
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	4,921	12,225	-	2,750	-
Fines and forfeitures	-	-	10,331	-	-
Interest	-	-	52	-	8,407
Miscellaneous	-	-	-	-	-
Total revenues	<u>4,921</u>	<u>12,225</u>	<u>10,383</u>	<u>2,750</u>	<u>8,407</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	25,312	-	-
Legal	-	-	-	16,953	-
Total expenditures	<u>-</u>	<u>-</u>	<u>25,312</u>	<u>16,953</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,921</u>	<u>12,225</u>	<u>(14,929)</u>	<u>(14,203)</u>	<u>8,407</u>
NET CHANGE IN FUND BALANCES	4,921	12,225	(14,929)	(14,203)	8,407
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>20,212</u>	<u>25,310</u>	<u>6,495</u>
FUND BALANCES, ENDING	<u>\$ 4,921</u>	<u>\$ 12,225</u>	<u>\$ 5,283</u>	<u>\$ 11,107</u>	<u>\$ 14,902</u>

Special Revenue

702	184	308	230	231	232
Texas Parks and Wildlife Fines	JP Bond Account	Victims' Assistance Grant	Court Initiated Guardianship	Court Facility	Language Access
\$ -	\$ -	\$ 74,172	\$ -	\$ -	\$ -
-	-	-	5,190	9,920	2,955
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>74,172</u>	<u>5,190</u>	<u>9,920</u>	<u>2,955</u>
-	-	-	-	-	-
-	-	69,599	3,565	-	-
<u>-</u>	<u>-</u>	<u>69,599</u>	<u>3,565</u>	<u>-</u>	<u>-</u>
-	-	4,573	1,625	9,920	2,955
-	-	4,573	1,625	9,920	2,955
-	-	(312)	34,840	-	-
<u>-</u>	<u>-</u>	<u>4,261</u>	<u>36,465</u>	<u>9,920</u>	<u>2,955</u>

Special Revenue				Debt Service	
309	321	304/310	324	401	
Sheriff NIBRS Grant	Union Grove Water Grant	HAVA Grant	CTIF TxDot Grant	Debt Service	Total Governmental Funds
\$ -	\$ 303,499	\$ -	\$ -	\$ -	\$ 566,864
-	-	-	-	-	348,771
-	-	-	-	-	18,500
-	-	4	-	-	10,779
-	-	-	-	-	46,075
-	<u>303,499</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>990,989</u>
-	303,499	601	-	-	390,148
-	-	-	-	-	72,019
-	-	-	-	-	242,996
-	<u>303,499</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>705,163</u>
-	-	(597)	-	-	285,826
-	-	(597)	-	-	285,826
(3)	-	823	(1,206)	28,480	1,341,209
<u>\$(3)</u>	<u>\$ -</u>	<u>\$ 226</u>	<u>\$(1,206)</u>	<u>\$ 28,480</u>	<u>\$ 1,627,035</u>

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Special Revenue				Debt Service	
309	321	304/310	324	401	
Sheriff NIBRS Grant	Union Grove Water Grant	HAVA Grant	CTIF TxDot Grant	Debt Service	Total Governmental Funds
\$ -	\$ 303,499	\$ -	\$ -	\$ -	\$ 566,864
-	-	-	-	-	348,771
-	-	-	-	-	18,500
-	-	4	-	-	10,779
-	-	-	-	-	46,075
-	<u>303,499</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>990,989</u>
-	303,499	601	-	-	390,148
-	-	-	-	-	72,019
-	-	-	-	-	242,996
-	<u>303,499</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>705,163</u>
-	-	(597)	-	-	285,826
-	-	(597)	-	-	285,826
(3)	-	823	(1,206)	28,480	1,341,209
<u>\$(3)</u>	<u>\$ -</u>	<u>\$ 226</u>	<u>\$(1,206)</u>	<u>\$ 28,480</u>	<u>\$ 1,627,035</u>

FIDUCIARY FUNDS

Investment Trust Funds are used to report fiduciary activities from individual investment accounts that are held in a fiduciary trust. The County's investment trust funds are as follows:

Jail Inmate Trust

Private Purpose Trust

District Attorney Trust

Custodial Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The County's custodial funds are as follows:

State Fees

Child Safety

District Clerk Excess Proceed

District Clerk Bond

District Clerk Registry Account

County Clerk Bond Account

County Clerk Registry Account

Tax Assessor/Collector General

Tax Assessor/Collector TXDOT

Tax Assessor/Collector Boat and Motor

Tax Assessor/Collector Auto Sales Tax

Tax Assessor/Collector Special Inventory

Tax Assessor/Collector Credit Card Merchant

Sheriff Cash Bond

Jail Inmate Welfare

Probation Office Juvenile

Probation Office Adult

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS**

SEPTEMBER 30, 2022

	<u>Jail Inmate Trust</u>	<u>Private Purpose Trust</u>	<u>District Attorney Trust</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ <u>54,917</u>	\$ <u>1,571,967</u>	\$ <u>5,094</u>	\$ <u>1,631,978</u>
Total assets	<u>54,917</u>	<u>1,571,967</u>	<u>5,094</u>	<u>1,631,978</u>
LIABILITIES				
Due to other governments	<u>-</u>	<u>150,260</u>	<u>-</u>	<u>150,260</u>
Total liabilities	<u>-</u>	<u>150,260</u>	<u>-</u>	<u>150,260</u>
NET POSITION				
Restricted for individuals, organizations, and other governments	<u>54,917</u>	<u>1,421,707</u>	<u>5,094</u>	<u>1,481,718</u>
Total net position	\$ <u>54,917</u>	\$ <u>1,421,707</u>	\$ <u>5,094</u>	\$ <u>1,481,718</u>

FIDUCIARY FUNDS

Investment Trust Funds are used to report fiduciary activities from individual investment accounts that are held in a fiduciary trust. The County's investment trust funds are as follows:

Jail Inmate Trust

Private Purpose Trust

District Attorney Trust

Custodial Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The County's custodial funds are as follows:

State Fees

Child Safety

District Clerk Excess Proceed

District Clerk Bond

District Clerk Registry Account

County Clerk Bond Account

County Clerk Registry Account

Tax Assessor/Collector General

Tax Assessor/Collector TXDOT

Tax Assessor/Collector Boat and Motor

Tax Assessor/Collector Auto Sales Tax

Tax Assessor/Collector Special Inventory

Tax Assessor/Collector Credit Card Merchant

Sheriff Cash Bond

Jail Inmate Welfare

Probation Office Juvenile

Probation Office Adult

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Jail Inmate Trust</u>	<u>Private Purpose Trust</u>	<u>District Attorney Trust</u>	<u>Totals</u>
Increases				
Lease revenue	\$ -	\$ 324,000	\$ -	\$ 324,000
Interest	45	9,138	5	9,188
Deposits held	<u>402,422</u>	<u>-</u>	<u>10,411</u>	<u>412,833</u>
 Total increases	 <u>402,467</u>	 <u>333,138</u>	 <u>10,416</u>	 <u>746,021</u>
Decreases				
Legal ads and notices	-	1,673		1,673
Commissary purchases	81,900	-	-	81,900
Commission paid to Inmate welfare-commissary	47,647	-	-	47,647
Sales revenue to inmate welfare-non-commissary	208,407	-	-	208,407
Deposits returned	48,631	-	-	48,631
Disbursements to beneficiaries	-	14,249	10,411	24,660
School allocations	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
 Total decreases	 <u>386,585</u>	 <u>215,922</u>	 <u>10,411</u>	 <u>612,918</u>
 NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	 <u>15,882</u>	 <u>117,216</u>	 <u>5</u>	 <u>133,103</u>
 NET POSITION, BEGINNING	 <u>39,035</u>	 <u>1,304,491</u>	 <u>5,089</u>	 <u>1,348,615</u>
 NET POSITION, ENDING	 <u>\$ 54,917</u>	 <u>\$ 1,421,707</u>	 <u>\$ 5,094</u>	 <u>\$ 1,481,718</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

SEPTEMBER 30, 2022

	<u>State Fees</u>	<u>Child Safety</u>	<u>District Clerk Excess Proceed</u>	<u>District Clerk Bond</u>
ASSETS				
Cash and investments	\$ <u>56,361</u>	\$ <u>1,238</u>	\$ <u>361,711</u>	\$ <u>22,578</u>
Total assets	<u>56,361</u>	<u>1,238</u>	<u>361,711</u>	<u>22,578</u>
LIABILITIES				
Due to other governments	<u>56,361</u>	<u>1,238</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>56,361</u>	<u>1,238</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>-</u>	<u>361,711</u>	<u>22,578</u>
Total net position	\$ <u>-</u>	\$ <u>-</u>	\$ <u>361,711</u>	\$ <u>22,578</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Jail Inmate Trust</u>	<u>Private Purpose Trust</u>	<u>District Attorney Trust</u>	<u>Totals</u>
Increases				
Lease revenue	\$ -	\$ 324,000	\$ -	\$ 324,000
Interest	45	9,138	5	9,188
Deposits held	<u>402,422</u>	<u>-</u>	<u>10,411</u>	<u>412,833</u>
 Total increases	 <u>402,467</u>	 <u>333,138</u>	 <u>10,416</u>	 <u>746,021</u>
Decreases				
Legal ads and notices	-	1,673		1,673
Commissary purchases	81,900	-	-	81,900
Commission paid to		-		
Inmate welfare-commissary	47,647	-	-	47,647
Sales revenue to				
inmate welfare-non-commissary	208,407	-	-	208,407
Deposits returned	48,631	-	-	48,631
Disbursements to beneficiaries	-	14,249	10,411	24,660
School allocations	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
 Total decreases	 <u>386,585</u>	 <u>215,922</u>	 <u>10,411</u>	 <u>612,918</u>
 NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	 <u>15,882</u>	 <u>117,216</u>	 <u>5</u>	 <u>133,103</u>
 NET POSITION, BEGINNING	 <u>39,035</u>	 <u>1,304,491</u>	 <u>5,089</u>	 <u>1,348,615</u>
 NET POSITION, ENDING	 <u>\$ 54,917</u>	 <u>\$ 1,421,707</u>	 <u>\$ 5,094</u>	 <u>\$ 1,481,718</u>

District Clerk Registry Account	County Clerk Bond Account	County Clerk Registry Account	Tax Assessor/ Collector General	Tax Assessor/ Collector TXDOT	Assessor/ Collector Boat and Motor	Assessor/ Collector Auto Sales Tax
\$ <u>197,259</u>	\$ <u>17,820</u>	\$ <u>418,470</u>	\$ <u>92,648</u>	\$ <u>236,124</u>	\$ <u>15,166</u>	\$ <u>235,238</u>
<u>197,259</u>	<u>17,820</u>	<u>418,470</u>	<u>92,648</u>	<u>236,124</u>	<u>15,166</u>	<u>235,238</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>197,259</u>	<u>17,820</u>	<u>418,470</u>	<u>92,648</u>	<u>236,124</u>	<u>15,166</u>	<u>235,238</u>
\$ <u>197,259</u>	\$ <u>17,820</u>	\$ <u>418,470</u>	\$ <u>92,648</u>	\$ <u>236,124</u>	\$ <u>15,166</u>	\$ <u>235,238</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

SEPTEMBER 30, 2022

	<u>Assessor/ Collector Special Inventory</u>	<u>Assessor/ Collector Credit Card Merchant</u>	<u>Sheriff Cash Bond</u>	<u>Probation Office Juvenile</u>
ASSETS				
Cash and investments	\$ <u>46,866</u>	\$ <u>6,013</u>	\$ <u>21,978</u>	\$ <u>342,620</u>
Total assets	<u>46,866</u>	<u>6,013</u>	<u>21,978</u>	<u>342,620</u>
LIABILITIES				
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for individuals, organizations, and other governments	<u>46,866</u>	<u>6,013</u>	<u>21,978</u>	<u>342,620</u>
Total net position	\$ <u>46,866</u>	\$ <u>6,013</u>	\$ <u>21,978</u>	\$ <u>342,620</u>

<u>District Clerk Registry Account</u>	<u>County Clerk Bond Account</u>	<u>County Clerk Registry Account</u>	<u>Tax Assessor/Collector General</u>	<u>Tax Assessor/Collector TXDOT</u>	<u>Assessor/Collector Boat and Motor</u>	<u>Assessor/Collector Auto Sales Tax</u>
\$ <u>197,259</u>	\$ <u>17,820</u>	\$ <u>418,470</u>	\$ <u>92,648</u>	\$ <u>236,124</u>	\$ <u>15,166</u>	\$ <u>235,238</u>
<u>197,259</u>	<u>17,820</u>	<u>418,470</u>	<u>92,648</u>	<u>236,124</u>	<u>15,166</u>	<u>235,238</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>197,259</u>	<u>17,820</u>	<u>418,470</u>	<u>92,648</u>	<u>236,124</u>	<u>15,166</u>	<u>235,238</u>
\$ <u>197,259</u>	\$ <u>17,820</u>	\$ <u>418,470</u>	\$ <u>92,648</u>	\$ <u>236,124</u>	\$ <u>15,166</u>	\$ <u>235,238</u>

Probation Office Adult	Totals
\$ <u>687,538</u>	\$ <u>2,759,628</u>
<u>687,538</u>	<u>2,759,628</u>
<u>-</u>	<u>57,599</u>
<u>-</u>	<u>57,599</u>
<u>687,538</u>	<u>2,702,029</u>
\$ <u>687,538</u>	\$ <u>2,702,029</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>State Fees</u>	<u>Child Safety</u>	<u>District Clerk Excess Proceeds</u>	<u>District Clerk Bond</u>
Increases				
Contributions from judgements	\$ -	\$ -	\$ 307,028	\$ -
Interest	-	-	31	3
Deposits held	-	-	-	-
Bonds received	-	-	-	200
	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total increases	<u>-</u>	<u>-</u>	<u>307,059</u>	<u>203</u>
Decreases				
Bonds refunded	-	-	-	39,993
Disbursements to beneficiaries	-	-	53,310	-
	<u>-</u>	<u>-</u>	<u>53,310</u>	<u>-</u>
Total decreases	<u>-</u>	<u>-</u>	<u>53,310</u>	<u>39,993</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>-</u>	<u>-</u>	<u>253,749</u>	<u>(39,790)</u>
NET POSITION, BEGINNING	<u>-</u>	<u>-</u>	<u>107,962</u>	<u>62,368</u>
NET POSITION, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,711</u>	<u>\$ 22,578</u>

Probation Office Adult	Totals
<u>\$ 687,538</u>	<u>\$ 2,759,628</u>
<u>687,538</u>	<u>2,759,628</u>
<u>-</u>	<u>57,599</u>
<u>-</u>	<u>57,599</u>
<u>687,538</u>	<u>2,702,029</u>
<u>\$ 687,538</u>	<u>\$ 2,702,029</u>

District Clerk Registry Account	County Clerk Bond Account	County Clerk Registry Account	Tax Assessor/Collector General	Tax Assessor/Collector TXDOT	Assessor/Collector Boat and Motor	Assessor/Collector Auto Sales Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
198	-	469	307	243	11	177
29,332	-	4,254	31,848,324	2,275,458	86,409	2,937,010
-	5,000	-	-	-	-	-
<u>29,530</u>	<u>5,000</u>	<u>4,723</u>	<u>31,848,631</u>	<u>2,275,701</u>	<u>86,420</u>	<u>2,937,187</u>
-	5,000	-	-	-	-	-
23,253	-	124,698	31,822,774	2,207,053	80,686	2,901,047
<u>23,253</u>	<u>5,000</u>	<u>124,698</u>	<u>31,822,774</u>	<u>2,207,053</u>	<u>80,686</u>	<u>2,901,047</u>
6,277	-	(119,975)	25,857	68,648	5,734	36,140
<u>190,982</u>	<u>17,820</u>	<u>538,445</u>	<u>66,791</u>	<u>167,476</u>	<u>9,432</u>	<u>199,098</u>
\$ <u>197,259</u>	\$ <u>17,820</u>	\$ <u>418,470</u>	\$ <u>92,648</u>	\$ <u>236,124</u>	\$ <u>15,166</u>	\$ <u>235,238</u>

UPSHUR COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Assessor/ Collector Special Inventory</u>	<u>Assessor/ Collector Credit Card Merchant</u>	<u>Sheriff Cash Bond</u>	<u>Probation Office Juvenile</u>
Increases				
Contributions from judgements	\$ -	\$ -	\$ -	\$ -
Interest	37	21	22	2,559
Deposits held	27,105	4,170,366	28,547	390,054
Bonds received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total increases	 <u>27,142</u>	 <u>4,170,387</u>	 <u>28,569</u>	 <u>392,613</u>
Decreases				
Bonds refunded	-	-	23,547	-
Disbursements to beneficiaries	<u>27,142</u>	<u>4,167,801</u>	<u>-</u>	<u>415,081</u>
 Total decreases	 <u>27,142</u>	 <u>4,167,801</u>	 <u>23,547</u>	 <u>415,081</u>
 NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	 <u>-</u>	 <u>2,586</u>	 <u>5,022</u>	 <u>(22,468)</u>
 NET POSITION, BEGINNING	 <u>46,866</u>	 <u>3,427</u>	 <u>16,956</u>	 <u>365,088</u>
 NET POSITION, ENDING	 <u>\$ 46,866</u>	 <u>\$ 6,013</u>	 <u>\$ 21,978</u>	 <u>\$ 342,620</u>

<u>District Clerk Registry Account</u>	<u>County Clerk Bond Account</u>	<u>County Clerk Registry Account</u>	<u>Tax Assessor/Collector General</u>	<u>Tax Assessor/Collector TXDOT</u>	<u>Assessor/Collector Boat and Motor</u>	<u>Assessor/Collector Auto Sales Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
198	-	469	307	243	11	177
29,332	-	4,254	31,848,324	2,275,458	86,409	2,937,010
-	5,000	-	-	-	-	-
<u>29,530</u>	<u>5,000</u>	<u>4,723</u>	<u>31,848,631</u>	<u>2,275,701</u>	<u>86,420</u>	<u>2,937,187</u>
-	5,000	-	-	-	-	-
23,253	-	124,698	31,822,774	2,207,053	80,686	2,901,047
<u>23,253</u>	<u>5,000</u>	<u>124,698</u>	<u>31,822,774</u>	<u>2,207,053</u>	<u>80,686</u>	<u>2,901,047</u>
6,277	-	(119,975)	25,857	68,648	5,734	36,140
<u>190,982</u>	<u>17,820</u>	<u>538,445</u>	<u>66,791</u>	<u>167,476</u>	<u>9,432</u>	<u>199,098</u>
<u>\$ 197,259</u>	<u>\$ 17,820</u>	<u>\$ 418,470</u>	<u>\$ 92,648</u>	<u>\$ 236,124</u>	<u>\$ 15,166</u>	<u>\$ 235,238</u>

Probation Office Adult	<u>Totals</u>
\$ -	\$ 307,028
1,425	5,503
878,282	42,675,141
<u>-</u>	<u>5,200</u>
<u>879,707</u>	<u>42,992,872</u>
-	68,540
<u>825,213</u>	<u>42,648,058</u>
<u>825,213</u>	<u>42,716,598</u>
<u>54,494</u>	<u>276,274</u>
<u>633,044</u>	<u>2,425,755</u>
\$ <u>687,538</u>	\$ <u>2,702,029</u>

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SINGLE AUDIT SECTION

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

Honorable County Judge and
Members of the Commissioners Court
Upshur County, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County, of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Upshur County' basic financial statements, and have issued our report thereon dated June 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upshur County' internal control over financial reporting (internal control) as a basis for designing 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 Upshur County' internal control. Accordingly, we do not express an opinion on the effectiveness of Upshur County' internal control.

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upshur County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 7, 2023



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

Honorable County Judge and
Members of the Commissioners Court
Upshur County, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upshur County, of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Upshur County' basic financial statements, and have issued our report thereon dated June 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upshur County' internal control over financial reporting (internal control) as a basis for designing 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 Upshur County' internal control. Accordingly, we do not express an opinion on the effectiveness of Upshur County' internal control.

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

Honorable County Judge and
Commissioners Court
Upshur County, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upshur County, Texas' (the "County") compliance with the types of compliance requirements identified as subject to and audit in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County's compliance with the requirements of each major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 7, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

Honorable County Judge and
Commissioners Court
Upshur County, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upshur County, Texas' (the "County") compliance with the types of compliance requirements identified as subject to and audit in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

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UPSHUR COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-Through Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Texas Department of Agriculture:				
Texas Community Development Block Grant - Union Grove Water Supply	14.228	7220471	\$ 303,499	-
Total Passed through Texas Department of Agriculture			<u>303,499</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>303,499</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Direct Programs:				
Equitable Sharing	16.922	TX2300000	<u>40,862</u>	<u>-</u>
Total Direct Programs			<u>40,862</u>	<u>-</u>
Passed through Office of the Governor:				
Victim Services Project	16.575	2912104	55,541	-
Family Violence Intervention Program	16.588	2052814	35,957	-
Family Violence Intervention Program	16.588	2052815	<u>3,318</u>	<u>-</u>
Total Passed through Office of the Governor			<u>94,816</u>	<u>-</u>
Total U. S. Department of Justice			<u>135,678</u>	<u>-</u>
<u>U. S. Department of Treasury</u>				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery - COVID-19	21.027	N/A	<u>3,078,746</u>	<u>-</u>
Total Direct Programs			<u>3,078,746</u>	<u>-</u>
Total U. S. Department of Treasury			<u>3,078,746</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 3,517,923</u>	<u>-</u>

UPSHUR COUNTY, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

SEPTEMBER 30, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Upshur County, Texas. The County's reporting entity is defined in Note 2 (c) of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

3. INDIRECT COSTS

The County did not elect to apply the 10% de minimus indirect cost rate.

UPSHUR COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-Through Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Texas Department of Agriculture:				
Texas Community Development Block Grant - Union Grove				
Water Supply	14.228	7220471	\$ 303,499	-
Total Passed through Texas Department of Agriculture			<u>303,499</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>303,499</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Direct Programs:				
Equitable Sharing	16.922	TX2300000	<u>40,862</u>	<u>-</u>
Total Direct Programs			<u>40,862</u>	<u>-</u>
Passed through Office of the Governor:				
Victim Services Project	16.575	2912104	55,541	-
Family Violence Intervention Program	16.588	2052814	35,957	-
Family Violence Intervention Program	16.588	2052815	<u>3,318</u>	<u>-</u>
Total Passed through Office of the Governor			<u>94,816</u>	<u>-</u>
Total U. S. Department of Justice			<u>135,678</u>	<u>-</u>
<u>U. S. Department of Treasury</u>				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery - COVID-19	21.027	N/A	<u>3,078,746</u>	<u>-</u>
Total Direct Programs			<u>3,078,746</u>	<u>-</u>
Total U. S. Department of Treasury			<u>3,078,746</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 3,517,923</u>	<u>-</u>

UPSHUR COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	None
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Identification of major federal program: Assistance Listing Number: 21.027	Name of federal program or cluster: Coronavirus State and Local Fiscal Recovery - COVID-19
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Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

UPSHUR COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	None
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Identification of major federal program:

Assistance Listing Number: 21.027	Name of federal program or cluster: Coronavirus State and Local Fiscal Recovery - COVID-19
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Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None