

COUNTY OF REAGAN  
Annual Financial Report  
Year Ended September 30, 2023

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FINANCIAL SECTION



A Limited Liability Partnership

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## INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Reagan  
P.O. Box 100  
Big Lake, TX 76932-0100

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Reagan, Texas, as of September 30, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

#### *Basis for Opinions*

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

#### *Emphasis of Matters*

##### *Basis of Accounting*

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

##### *New Accounting Standard*

The County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, described in Note I., I. to the financial statements. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County of Reagan'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 of Reagan'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.

***Supplementary Information***

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Reagan's basic financial statements. The accompanying schedule of expenditures of state and federal awards is presented for purposes of additional analysis as required by the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state and 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 March 1, 2024, on our consideration of the County of Reagan'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 the County of Reagan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Reagan's internal control over financial reporting and compliance.

*Eckert & Company, LLP*

March 1, 2024

**REAGAN COUNTY COMMISSIONERS' COURT**

*Mike Vargas*  
Precinct # 1

*Tommy Holt*  
Precinct # 3

**Reagan County Courthouse  
PO Box 100  
Big Lake, Texas 76932**

*Tim Sellman*  
Precinct # 2

*Jim O'Bryan*  
County Judge

*Mary Loftin*  
Precinct # 4

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the County of Reagan's financial performance provides an overview of the County's financial activities for the year ended September 30, 2023, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

**Financial Highlights - Modified Cash Basis of Accounting**

The County's assets exceeded its liabilities at the end of the current year by \$70,645,330 (net position). Of this amount, \$44,281,347 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$9,945,305 or 16% as a result of current year operations. The County's statement of activities shows total revenues of \$22,888,041 and total expenses of \$12,942,736.

The total fund balance of the General Fund is \$38,568,589 which is an increase of \$6,131,504 or 19% compared to the prior year.

**Overview of the Financial Statements**

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

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

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

The County has no component units.

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

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

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2023	2022
Current and Other Assets	\$ 45,347,545	\$ 38,083,676
Capital Assets	25,791,904	23,365,897
Total Assets	\$ 71,139,449	\$ 61,449,573
Liabilities	\$ 494,119	\$ 749,548
Net Position		
Net Investment in Capital Assets	\$ 25,791,904	\$ 23,365,897
Restricted	572,079	525,246
Unrestricted	44,281,347	36,808,882
Total Net Position	\$ 70,645,330	\$ 60,700,025

A large portion of the County's net position resulting from modified cash basis transactions (\$25,791,904) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$572,079) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$44,281,347) may be used to meet the County's ongoing obligations.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$9,945,305 and \$5,277,195 for the fiscal years ended September 30, 2023 and 2022, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>Year Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ 1,688,743	\$ 1,799,566
Operating Grants and Contributions	460,324	231,847
Capital Grants and Contributions	3,118,036	1,645,216
General Revenues		
Maintenance and Operations Taxes	11,619,642	11,033,242
Sales Taxes	3,576,580	2,566,796
Investment Earnings	1,834,468	183,538
Other Revenues	590,248	532,414
	<u>\$ 22,888,041</u>	<u>\$ 17,992,619</u>
Expenses		
General Government	\$ 3,199,467	\$ 3,010,882
Roads and Bridges	2,666,460	2,920,808
Justice System	1,170,443	1,065,106
Public Safety	4,219,474	4,089,941
Corrections and Rehabilitation	993,753	967,834
Public Health and Welfare	120,355	113,713
Culture and Recreation	572,784	547,140
	<u>\$ 12,942,736</u>	<u>\$ 12,715,424</u>
Change in Net Position	\$ 9,945,305	\$ 5,277,195
Net Position - Beginning	<u>60,700,025</u>	<u>55,422,830</u>
Net Position - Ending	<u>\$ 70,645,330</u>	<u>\$ 60,700,025</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds

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

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

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$44,853,426, an increase of \$7,519,298 or 20% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$38,568,589. All of this balance is unassigned.

Road and Bridge Fund \$5,571,657. This balance is committed to roads and bridges.

Special Revenue Funds \$713,180. Of this balance \$141,101 is committed to special programs and \$572,079 is restricted by legislation.

### General Fund Budget

The original budget was \$16,084,177 and final amended budget for the General Fund was \$16,167,111 which represents an \$82,934 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 35 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$17,802,473 for the fiscal year 2024, which is an increase of \$1,635,362 from the fiscal year 2023.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended September 30, 2023.

**Long-Term Debt** - The County had no long-term debt outstanding.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Jim O'Bryan, County Judge, County of Reagan, P.O. Box 100, Big Lake, TX 76932-0100.

Basic Financial Statements

COUNTY OF REAGAN  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2023

	Primary Government
	Governmental Activities
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 42,414,534
Due from Other Governments	2,933,011
Capital Assets:	
Land	160,667
Infrastructure, Net	19,994,149
Buildings and Improvements, Net	3,206,640
Machinery and Equipment, Net	2,430,448
Total Assets	71,139,449
<b>LIABILITIES</b>	
Due to State	15,913
Unearned Revenues	478,206
Total Liabilities	494,119
<b>NET POSITION</b>	
Net Investment in Capital Assets	25,791,904
Restricted by Legislation	572,079
Unrestricted	44,281,347
Total Net Position	\$ 70,645,330

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

COUNTY OF REAGAN  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 3,199,467	\$ 753,291	\$ 48,544
Roads and Bridges	2,666,460	265,184	10,687
Justice System	1,170,443	207,535	18,986
Public Safety	4,219,474	418,243	300,562
Corrections and Rehabilitation	993,753	21,431	-
Public Health and Welfare	120,355	-	39,884
Culture and Recreation	572,784	23,059	41,661
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 12,942,736</b>	<b>\$ 1,688,743</b>	<b>\$ 460,324</b>

General Revenues:

Taxes:

Property Taxes

General Sales and Use Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Primary Government Governmental	
\$	-	\$	(2,397,632)
	3,118,036		727,447
	-		(943,922)
	-		(3,500,669)
	-		(972,322)
	-		(80,471)
	-		(508,064)
\$	3,118,036		(7,675,633)

11,619,642
3,576,580
590,248
1,834,468
<u>17,620,938</u>
9,945,305
<u>60,700,025</u>
<u>\$ 70,645,330</u>

COUNTY OF REAGAN  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023

	General Fund	Road and Bridge Fund	CSLFRF Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,568,589	\$ 2,660,865	\$ 479,184
Due from State	-	2,910,792	-
Total Assets	<u>\$ 38,568,589</u>	<u>\$ 5,571,657</u>	<u>\$ 479,184</u>
<b>LIABILITIES</b>			
Due to State	\$ -	\$ -	\$ -
Unearned Revenues	-	-	478,206
Total Liabilities	<u>-</u>	<u>-</u>	<u>478,206</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted by Legislation	-	-	-
Committed Fund Balance:			
Committed for Roads and Bridges	-	5,571,657	-
Committed for Airport	-	-	-
Committed for Special Programs	-	-	978
Unassigned Fund Balance	38,568,589	-	-
Total Fund Balances	<u>38,568,589</u>	<u>5,571,657</u>	<u>978</u>
Total Liabilities and Fund Balances	<u>\$ 38,568,589</u>	<u>\$ 5,571,657</u>	<u>\$ 479,184</u>

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

Other Funds	Total Governmental Funds
\$ 705,896	\$ 42,414,534
22,219	2,933,011
\$ 728,115	\$ 45,347,545
\$ 15,913	\$ 15,913
-	478,206
15,913	494,119
572,079	572,079
-	5,571,657
58,615	58,615
81,508	82,486
-	38,568,589
712,202	44,853,426
\$ 728,115	\$ 45,347,545



COUNTY OF REAGAN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2023

<b>Total Fund Balances - Governmental Funds</b>	\$	44,853,426
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of this adjustment is to increase (decrease) net position.		23,365,897
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of this adjustment is to increase (decrease) net position.		4,723,531
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,297,524)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>70,645,330</b>

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

COUNTY OF REAGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Road and Bridge Fund	CSLFRF Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 10,546,820	\$ 1,072,822	\$ -
General Sales and Use Taxes	3,576,580	-	-
Fees and Fines	658,986	264,536	-
Intergovernmental	705,927	3,118,036	255,430
Investment Earnings	1,659,977	173,700	783
Miscellaneous	508,070	27,010	-
Total Revenues	17,656,360	4,656,104	256,213
<b>EXPENDITURES:</b>			
Current:			
General Government	2,530,160	273,703	-
Roads and Bridges	-	5,287,224	-
Justice System	1,166,972	-	-
Public Safety	3,972,767	-	255,430
Corrections and Rehabilitation	827,411	-	-
Public Health and Welfare	117,489	-	-
Culture and Recreation	660,057	-	-
Total Expenditures	9,274,856	5,560,927	255,430
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,381,504	(904,823)	783
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	2,250,000	-
Transfers Out (Use)	(2,250,000)	-	-
Total Other Financing Sources (Uses)	(2,250,000)	2,250,000	-
Net Change in Fund Balances	6,131,504	1,345,177	783
Fund Balance - October 1 (Beginning)	32,437,085	4,226,480	195
Fund Balance - September 30 (Ending)	\$ 38,568,589	\$ 5,571,657	\$ 978

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

Other Funds	Total Governmental Funds
\$ -	\$ 11,619,642
-	3,576,580
229,453	1,152,975
34,737	4,114,130
8	1,834,468
<u>55,166</u>	<u>590,246</u>
<u>319,364</u>	<u>22,888,041</u>
239,266	3,043,129
-	5,287,224
3,471	1,170,443
31,255	4,259,452
-	827,411
2,866	120,355
<u>672</u>	<u>660,729</u>
<u>277,530</u>	<u>15,368,743</u>
<u>41,834</u>	<u>7,519,298</u>
-	2,250,000
<u>-</u>	<u>(2,250,000)</u>
-	-
<u>41,834</u>	<u>7,519,298</u>
<u>670,368</u>	<u>37,334,128</u>
<u>\$ 712,202</u>	<u>\$ 44,853,426</u>

COUNTY OF REAGAN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	7,519,298
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of this adjustment is to increase (decrease) net position.		4,723,531
Depreciation is not recognized as an expense in governmental funds. The net effect of this adjustment is to decrease net position.		(2,297,524)
 <b>Change in Net Position of Governmental Activities</b>	 \$	 <u>9,945,305</u>

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

COUNTY OF REAGAN  
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2023

---

	Custodial Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 984,907
Total Assets	<u>984,907</u>
<b>LIABILITIES</b>	
Due to Other Governments	641,739
Due to Others	130,358
Total Liabilities	<u>772,097</u>
<b>NET POSITION</b>	
Restricted for Custodial Purposes	212,810
Total Net Position	<u><u>\$ 212,810</u></u>

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

COUNTY OF REAGAN  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Funds
<hr/>	
ADDITIONS:	
Property Taxes	\$ 104,299,905
Fees and Fines	1,788,536
Bond and Registry Receipts	10,000
Investment Earnings	303
Rents and Royalties	187,528
Total Additions	<u>106,286,272</u>
DEDUCTIONS:	
Property Taxes Remitted to Entities	104,048,664
Property Tax Attorney Collection Fees	251,241
Remitted School Land Funds to School District	206,460
Other Operating Costs	10,553
State and County Fines and Fees	1,716,860
Bond and Registry Disbursements	18,830
Justice of the Peace Attorney Collection Fees	30,137
Corrections and Rehabilitation	45,279
Total Deductions	<u>106,328,024</u>
Net Change in Fiduciary Net Position	(41,752)
Total Net Position - October 1 (Beginning)	<u>254,562</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 212,810</u></u>

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

COUNTY OF REAGAN  
Notes to the Financial Statements  
September 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The County of Reagan, Texas, was organized by an Act of the Texas Legislature in 1903. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

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

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

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

**Basis of Accounting**

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

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

The government reports the following major governmental funds:

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

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for the road and bridge precincts.

Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Fund - This Fund is a special revenue fund and is used to account for funds provided to address needs related to the Coronavirus pandemic.

Additionally, the government reports the following fund types:

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

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

The County has the following Fiduciary Funds:

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

**D. Interfund Receivables and Payables**

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

**E. Capital Assets**

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



COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-30
Machinery and Equipment	5-10
Infrastructure	30

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

**F. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave can be accumulated for a maximum of two years. Employees are paid for any unused vacation leave up to a maximum of two years upon separation from service. Sick leave can be accumulated and carried forward indefinitely. Employees are not paid for unused sick leave upon separation from service.

**G. Net Position on the Statement of Net Position**

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

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation.

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

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

**H. Fund Balances/Equity**

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

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

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

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

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Fund Balances/Equity - Continued**

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

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

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

**I. Implementation of New Accounting Standard**

The County implemented the provisions of GASB 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). The County determined there was no impact upon its financial position, results of operations, or cash flows upon adoption.

**J. Property Tax Revenues**

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

Property taxes are recognized as revenues when they are collected.

**K. Interfund Transfers**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

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

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

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

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

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

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

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2023, the County was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable

At September 30, 2023, the County's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
TexPool	<u>\$ 40,400,000</u>	<u>100%</u>	25 Days	AAAm

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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.

The District’s investment in Pools is reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

**B. Interfund Transfers**

Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Major Governmental Funds	<u>\$ 2,250,000</u>	Current Operations

**C. Due from Other Governments**

The County participates in various state programs from which it receives grant funds for maintenance, infrastructure and equipment. Amounts due from the State for these programs are summarized as follows:

County Transportation Infrastructure Fund	\$ 2,910,792
Routine Airport Maintenance Program	<u>22,219</u>
Total	<u>\$ 2,933,011</u>

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

**D. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 160,667	\$ 0	\$ 0	\$ 160,667
Buildings and Improvements	9,160,170	185,358	0	9,345,528
Machinery and Equipment	9,172,094	354,711	(10,600)	9,516,205
Infrastructure	<u>23,433,989</u>	<u>4,183,462</u>	<u>0</u>	<u>27,617,451</u>
Total Capital Assets Being Depreciated	<u>\$ 41,926,920</u>	<u>\$ 4,723,531</u>	<u>\$ (10,600)</u>	<u>\$ 46,639,851</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (5,809,216)	\$ (329,672)	\$ 0	\$ (6,138,888)
Machinery and Equipment	(6,474,289)	(622,068)	10,600	(7,085,757)
Infrastructure	<u>(6,277,518)</u>	<u>(1,345,784)</u>	<u>0</u>	<u>(7,623,302)</u>
Total Accumulated Depreciation	<u>\$ (18,561,023)</u>	<u>\$ (2,297,524)</u>	<u>\$ 10,600</u>	<u>\$ (20,847,947)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 23,365,897</u></u>	<u><u>\$ 2,426,007</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 25,791,904</u></u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 164,328
Roads and Bridges	1,562,698
Public Safety	293,793
Corrections and Rehabilitation	110,363
Culture and Recreation	<u>166,342</u>
Total	<u><u>\$ 2,297,524</u></u>

**E. Due to Other Governments**

Amounts due to other governments are summarized as follows:

	<u>Special Revenue Funds</u>
HAVA Grant Fund	<u><u>\$ 15,913</u></u>

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
CSLFRF Fund	\$ 478,206

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

**Plan Description** - The County provides retirement, disability, and death benefits through a nontraditional defined benefit pension plan in the statewide, Texas County & District Retirement System (TCDRS). All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year, employees in a temporary position are not eligible for membership. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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

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

**Funding Policy** - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 14.11% for the months of the accounting year in 2022. However, the governing body chose to pay a rate of 13.17% for 2023 that exceeded the actuarially determined rate of 13.03% as allowed by the provisions of the TCDRS Act. This had the effect of reducing the County's unfunded net pension liability.

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

The deposit rate payable by the employee members for calendar year 2023 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Actuarial Assumptions** - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2022 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2022 Summary Valuation Report for further details.

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

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

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

**Long-Term Expected Rate of Return** - The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (Net) Index	2.50%	4.95%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	5.00%	4.95%
International Equities - Emerging Markets	MSCI Emerging Markets (Net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%



COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

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

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

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

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

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

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

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

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

<u>Changes in Net Pension Liability (Asset)</u>	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of December 31, 2021	<u>\$ 25,160,231</u>	<u>\$ 26,169,357</u>	<u>\$ (1,009,126)</u>
Changes for the Year:			
Service Cost	\$ 863,620	\$ 0	\$ 863,620
Interest on Total Pension Liability	1,943,283	0	1,943,283
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	(684,053)	0	(684,053)
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(69,502)	(69,502)	0
Benefit Payments	(856,122)	(856,122)	0
Administrative Expenses	0	(14,533)	14,533
Member Contributions	0	356,680	(356,680)
Net Investment Income	0	(1,546,881)	1,546,881
Employer Contributions	0	718,965	(718,965)
Other	0	42,991	(42,991)
Net Changes	<u>\$ 1,197,226</u>	<u>\$ (1,368,402)</u>	<u>\$ 2,565,628</u>
Balance as of December 31, 2022	<u>\$ 26,357,457</u>	<u>\$ 24,800,955</u>	<u>\$ 1,556,502</u>

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total Pension Liability	\$ 30,125,922	\$ 26,357,457	\$ 23,231,148
Fiduciary Net Position	24,800,955	24,800,955	24,800,955
Net Pension Liability (Asset)	\$ 5,324,967	\$ 1,556,502	\$ (1,569,807)

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

Pension Expense (Income)	January 1, 2022 to December 31, 2022
Service Cost	\$ 863,620
Interest on Total Pension Liability	1,943,283
Effect of Plan Changes	0
Administrative Expenses	14,533
Member Contributions	(356,680)
Expected Investment Return Net of Investment Expenses	(1,995,529)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(170,885)
Recognition of Assumption Changes or Inputs	283,989
Recognition of Investment Gains or Losses	66,870
Other	(42,991)
Total Pension Expense (Income)	\$ 606,210

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Deferred Outflows/Deferred Inflows of Resources** -As of September 30, 2023, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 45,713	\$ 635,393
Changes in Assumptions	558,294	-
Net Differences Between Projected and Actual Earnings	550,375	-
Contributions Made Subsequent to Measurement Date	3,907,147	-
Totals	\$ 5,061,529	\$ 635,393

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

Year Ending September 30,	Pension Expense Amount
2023	\$ (142,687)
2024	133,327
2025	(43,324)
2026	571,673
2027	0
Thereafter	0

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

**B. Self-Insurance**

The County has entered into an interlocal participation agreement with the West Texas Rural Counties Association Insurance Pool (the Pool). The Pool is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide assistance in financing each member's risk of loss pursuant to the provisions of Article 715c, Texas Revised Civil Statutes Annotated, and Chapter 172 of the Local Government Code. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The County's participation in the Pool is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid to the Pool. The Pool is required to provide stop-loss coverage and/or maintain reserves to ensure that the participation of the County is maintained on a nonassessable basis at all times. The County made contributions to the Pool for the coverage selected based upon rates established by the Pool's Board of Trustees. Contributions are adjusted annually

COUNTY OF REAGAN  
Notes to the Financial Statements - Continued  
September 30, 2023

**IV. OTHER INFORMATION - Continued**

**B. Self-Insurance - Continued**

based upon the County's loss experience. The Pool may impose a surcharge on the County as a condition of continued participation in the Pool when the County has a higher loss experience than identified in the underwriting standards. The County's participation in the Pool consists of the Risk Management Pool which provides coverage for property damage, general liability, law enforcement liability, automobile liability and physical damage, public officials' liability, mobile equipment coverage, workers' compensation, blanket surety bond coverage, and airport coverage.

**C. Tax Abatements**

The County has entered into a contractual agreement with a property owner in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreement are limited by the guidelines and criteria established by the County Commissioners. As required by section 312.205 of the Texas Tax Code, if the Owner default remains after all applicable notice and cure periods outlined in the Agreement, the County shall be entitled to cancel the Agreement and recover the property tax revenue abated under the Agreement through the cancellation date, less all payments made by the Owner to the County under the Agreement. At September 30, 2023, the County had established an abatement agreement with the following property owner:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2022 Appraised Values	2022 Taxable Values	2022 Abated Values	2022 Taxes Levied	2022 Taxes Abated
Santa Rita Wind Energy, LLC	2/22/2016	2018	2027	\$ 184,749,620	\$ 0	\$ 184,749,620	\$ 0	\$ 265,688

**D. Subsequent Events**

The County's management has evaluated subsequent events through March 1, 2024, the date which the financial statements were available for issue.

Supplementary Information

COUNTY OF REAGAN  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 10,679,191	\$ 10,679,191	\$ 10,546,820	\$ (132,371)
General Sales and Use Taxes	2,000,000	2,000,000	3,576,580	1,576,580
Fees and Fines	536,510	536,510	658,986	122,476
Intergovernmental	630,550	700,484	705,927	5,443
Investment Earnings	60,000	60,000	1,659,977	1,599,977
Miscellaneous	436,000	449,000	508,070	59,070
Total Revenues	<u>14,342,251</u>	<u>14,425,185</u>	<u>17,656,360</u>	<u>3,231,175</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	4,734,801	4,696,721	2,530,160	2,166,561
Justice System	1,592,141	1,592,141	1,166,972	425,169
Public Safety	4,478,534	4,541,695	3,972,767	568,928
Corrections and Rehabilitation	991,666	991,666	827,411	164,255
Public Health and Welfare	122,000	122,000	117,489	4,511
Culture and Recreation	873,543	931,396	660,057	271,339
Total Expenditures	<u>12,792,685</u>	<u>12,875,619</u>	<u>9,274,856</u>	<u>3,600,763</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,549,566</u>	<u>1,549,566</u>	<u>8,381,504</u>	<u>6,831,938</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Use)	<u>(3,291,492)</u>	<u>(3,291,492)</u>	<u>(2,250,000)</u>	<u>1,041,492</u>
Total Other Financing Sources (Uses)	<u>(3,291,492)</u>	<u>(3,291,492)</u>	<u>(2,250,000)</u>	<u>1,041,492</u>
Net Change in Fund Balances	(1,741,926)	(1,741,926)	6,131,504	7,873,430
Fund Balance - October 1 (Beginning)	<u>32,437,085</u>	<u>32,437,085</u>	<u>32,437,085</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 30,695,159</u>	<u>\$ 30,695,159</u>	<u>\$ 38,568,589</u>	<u>\$ 7,873,430</u>

COUNTY OF REAGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 1,086,894	\$ 1,086,894	\$ 1,072,822	\$ (14,072)
Fees and Fines	190,000	190,000	264,536	74,536
Intergovernmental	1,500,000	1,500,000	3,118,036	1,618,036
Investment Earnings	6,000	6,000	173,700	167,700
Miscellaneous	30,000	30,000	27,010	(2,990)
Total Revenues	<u>2,812,894</u>	<u>2,812,894</u>	<u>4,656,104</u>	<u>1,843,210</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	279,750	279,750	273,703	6,047
Roads and Bridges	5,824,636	5,824,636	5,287,224	537,412
Total Expenditures	<u>6,104,386</u>	<u>6,104,386</u>	<u>5,560,927</u>	<u>543,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,291,492)</u>	<u>(3,291,492)</u>	<u>(904,823)</u>	<u>2,386,669</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	3,291,492	3,291,492	2,250,000	(1,041,492)
Total Other Financing Sources (Uses)	<u>3,291,492</u>	<u>3,291,492</u>	<u>2,250,000</u>	<u>(1,041,492)</u>
Change in Fund Balance	-	-	1,345,177	1,345,177
Fund Balance - October 1 (Beginning)	<u>4,226,480</u>	<u>4,226,480</u>	<u>4,226,480</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,226,480</u>	<u>\$ 4,226,480</u>	<u>\$ 5,571,657</u>	<u>\$ 1,345,177</u>



COUNTY OF REAGAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
<b>A. Total Pension Liability</b>			
Service Cost	\$ 863,620	\$ 860,647	\$ 815,367
Interest (on the Total Pension Liability)	1,943,283	1,805,699	1,691,617
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(684,053)	38,368	(206,791)
Changes of Assumptions	-	6,245	1,387,926
Benefit Payments, Including Refunds of Employee Contributions	(925,624)	(882,405)	(834,220)
Net Change in Total Pension Liability	\$ 1,197,226	\$ 1,828,554	\$ 2,853,899
Total Pension Liability - Beginning	25,160,231	23,331,677	20,477,778
Total Pension Liability - Ending	\$ 26,357,457	\$ 25,160,231	\$ 23,331,677
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 718,965	\$ 672,280	\$ 676,109
Contributions - Employee	356,680	357,325	359,360
Net Investment Income	(1,546,881)	4,701,027	1,979,017
Benefit Payments, Including Refunds of Employee Contributions	(925,624)	(882,405)	(834,220)
Administrative Expense	(14,533)	(14,157)	(15,604)
Other	42,991	10,043	7,853
Net Change in Plan Fiduciary Net Position	\$ (1,368,402)	\$ 4,844,113	\$ 2,172,515
Plan Fiduciary Net Position - Beginning	26,169,357	21,325,244	19,152,729
Plan Fiduciary Net Position - Ending	\$ 24,800,955	\$ 26,169,357	\$ 21,325,244
<b>C. Net Pension Liability (Asset)</b>	\$ 1,556,502	\$ (1,009,126)	\$ 2,006,433
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.09%	104.01%	91.40%
<b>E. Covered Payroll</b>	\$ 5,095,430	\$ 5,125,060	\$ 5,133,713
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	30.55%	(19.69%)	39.08%

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

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 740,109	\$ 679,337	\$ 661,620	\$ 677,217	\$ 576,164	\$ 492,457
1,559,295	1,444,851	1,338,363	1,217,401	1,124,834	1,030,281
-	-	-	-	(113,165)	-
79,593	(32,614)	(60,818)	(135,954)	(84,725)	106,097
-	-	29,063	-	147,072	-
(807,611)	(673,905)	(668,742)	(523,895)	(556,085)	(483,687)
\$ 1,571,386	\$ 1,417,669	\$ 1,299,486	\$ 1,234,769	\$ 1,094,095	\$ 1,145,148
18,906,392	17,488,723	16,189,237	14,954,468	13,860,373	12,715,225
\$ 20,477,778	\$ 18,906,392	\$ 17,488,723	\$ 16,189,237	\$ 14,954,468	\$ 13,860,373
\$ 618,799	\$ 597,574	\$ 560,872	\$ 581,591	\$ 562,674	\$ 510,038
339,467	320,293	307,207	307,255	283,565	241,888
2,681,175	(302,628)	2,066,181	950,364	(64,233)	786,890
(807,611)	(673,905)	(668,742)	(523,895)	(556,085)	(483,687)
(14,594)	(13,116)	(10,900)	(10,328)	(9,151)	(9,286)
7,826	8,915	2,569	9,247	25,975	21,152
\$ 2,825,062	\$ (62,867)	\$ 2,257,187	\$ 1,314,234	\$ 242,745	\$ 1,066,995
16,327,667	16,390,534	14,133,346	12,819,112	12,576,367	11,509,372
\$ 19,152,729	\$ 16,327,667	\$ 16,390,533	\$ 14,133,346	\$ 12,819,112	\$ 12,576,367
\$ 1,325,049	\$ 2,578,725	\$ 1,098,190	\$ 2,055,891	\$ 2,135,356	\$ 1,284,006
93.53%	86.36%	93.72%	87.30%	85.72%	90.74%
\$ 4,849,530	\$ 4,575,607	\$ 4,388,674	\$ 4,389,359	\$ 4,050,923	\$ 3,455,542
27.32%	56.36%	25.02%	46.84%	52.71%	37.16%

COUNTY OF REAGAN  
SCHEDULE OF CONTRIBUTIONS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	\$ 694,314	\$ 696,501	\$ 666,132
Contributions in Relation to the Actuarially Determined Contributions	(699,784)	(698,914)	(673,419)
Contribution Deficiency (Excess)	<u>\$ (5,470)</u>	<u>\$ (2,413)</u>	<u>\$ (7,287)</u>
Covered Employee Payroll	\$ 5,219,778	\$ 5,037,901	\$ 5,113,280
Contributions as a Percentage of Covered Employee Payroll	13.41%	13.87%	13.17%

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

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

	2020	2019	2018	2017	2016	2015	2014
\$	669,958	\$ 609,513	\$ 585,600	\$ 565,113	\$ 582,518	\$ 561,052	456,534
	(669,958)	(609,513)	(585,600)	(565,113)	(582,518)	(561,052)	(456,534)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
\$	5,126,567	\$ 4,749,246	\$ 4,507,560	\$ 4,381,561	\$ 4,345,548	\$ 3,977,936	3,269,831
	13.07%	12.83%	12.99%	12.90%	13.40%	14.10%	13.96%

COUNTY OF REAGAN  
Notes to the Supplementary Information  
September 30, 2023

Note A - Net Pension Liability

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

Valuation Date	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (Level Percent of Pay)
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	0.0 Years (Based on Contribution Rate Calculated in December 31, 2022 Valuation)
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.5%
Salary Increases	Varies by Age and Service - 4.7% Average Over Career Including Inflation
Investment Rate of Return	7.5%, Net of Administrative and Investment Expenses, Including Inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% for males and 120% for females of the Pub-2010 General Retirees Table, both projected with 100% of the MP-2021 Ultimate scale for 2010
Changes in Assumptions and Methods Reflected in the Schedule of Employer	2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2022: No changes in plan provisions were reflected in the Schedule.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

The Honorable County Judge  
and Commissioners' Court  
County of Reagan  
P.O. Box 100  
Big Lake, TX 76932-0100

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Reagan, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 1, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

The Honorable County Judge  
and Commissioners' Court  
Page 2

**Purpose of This Report**

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

*Eckert & Company, LLP*

March 1, 2024





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

The Honorable County Judge  
and Commissioners' Court  
County of Reagan  
P.O. Box 100  
Big Lake, TX 76932-0100

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the County of Reagan's compliance with the types of compliance requirements identified as subject to audit in the State of Texas Uniform Grant Management Standards that could have a direct and material effect on the County of Reagan's major state program for the year ended September 30, 2023. The County of Reagan's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County of Reagan, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended September 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State of Texas Uniform Grant Management Standards. Our responsibilities under those standards and the State of Texas Uniform Grant Management Standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Reagan, Texas, 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 state program. Our audit does not provide a legal determination of the County of Reagan'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 of Reagan's state programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above have occurred, whether due to fraud or error, and express an opinion on the County of Reagan'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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the State of Texas Uniform Grant Management Standards will always detect material noncompliance when it exists. The risk of not detecting a 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 the County of Reagan's compliance with the requirements of each major State program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Glasscock'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 of Reagan'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 State of Texas Uniform Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of the County of Reagan'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 state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

**Purpose of This Report**

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 State of Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

*Eckert & Company, LLP*

March 1, 2024

COUNTY OF REAGAN  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2023

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>
Internal Control Over Financial Reporting	
Material weaknesses identified?	___ Yes <u>  X  </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>  X  </u> None Reported
Noncompliance material to financial statements noted?	___ Yes <u>  X  </u> No

**State Awards**

Internal Control Over Major Programs	
Material weaknesses identified?	___ Yes <u>  X  </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>  X  </u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Uniform Grant Management Standards?	___ Yes <u>  X  </u> No

**Identification of Major Program**

Grant	
<u>Number</u>	<u>Name of State Program</u>
	Texas Department of Transportation
CTIF-02-192	County Transportation Infrastructure Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>  750,000  </u>
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes ___ No

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major State Award Program Audit**

None

**D. Findings - State Compliance**

None

COUNTY OF REAGAN  
 SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

State Grantor/ Program Title	Federal Assistance Listing No.	State Grantors Number	Expenditures
<b><u>Texas Department of Transportation</u></b>			
County Transportation Infrastructure Fund Grant	--	CTIF-02-192	\$ 3,118,036
RAMP Grant	--	M2207BGLK	<u>22,219</u>
Total Texas Department of Transportation			\$ 3,140,255
<b><u>U.S. Department of Treasury</u></b>			
<u>Direct Programs</u>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>255,430</u>
Total Expenditures of State and Federal Awards			<u><u>\$ 3,395,685</u></u>

COUNTY OF REAGAN  
Notes to the Schedule of Expenditures of State and Federal Awards  
September 30, 2023

Note A - Basis of Accounting

The County accounts for awards under state and federal programs in the General Fund and Special Revenue Funds. The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

Note B - Basis of Presentation

The accompanying schedule of expenditures of state and federal awards includes the state and federal grant activity of the County of Reagan and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Texas Uniform Grant Management Standards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.