

Red River County, Texas

**Financial Statements
And Independent Auditor's Report**

For the year ended September 30, 2022

Red River County, Texas
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Year ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TCDRS on pages 3 through 11 and pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Red River County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2022. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net position was \$17.6 million at September 30, 2022. \$7.58 million of the net position is invested in capital assets, net of related debt. During the year, the County's expenses were \$1.4 million less than the \$8.34 million generated in taxes, charges for services, and other revenues from activities. This includes depreciation expense of \$735 thousand. The adjustment to the net pension liability as required by GASB 68 resulted in a decrease to expense of \$173 thousand.

The total cost of all the County's activities was about \$6.88 million, an increase of \$371 thousand or 5%.

The general fund balance is \$6.8 million at September 30, 2022, which is an increase of \$829 thousand as compared to an increase of \$1.1 million the prior year. General fund revenue decreased \$16 thousand compared to the prior year with an increase of \$200 thousand in tax revenue. Intergovernmental revenue decreased \$324 thousand. Current expenditures were up \$225 thousand or 5%. Payroll was up about \$100 thousand. Fuel and supply costs increased. The main road and bridge fund balance increased by \$160 thousand to a balance of \$1.2 million. The increase was \$145 thousand the prior year.

During the year, \$512 thousand of fixed assets were added. \$228 thousand of principal was paid on debt. One new truck lease was added and one was paid off.

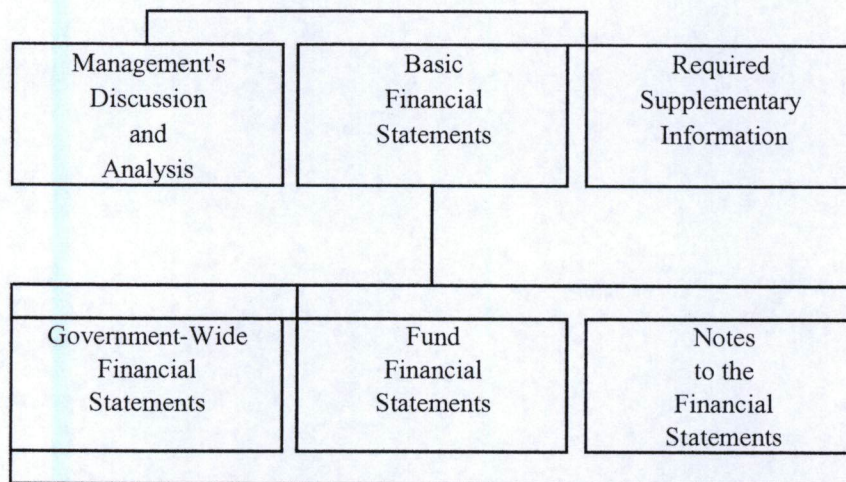
Approximately 94% of the taxes levied for 2021-2022 were collected by September 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses, such as a commissary operation.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. This fund contains trust funds.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ⇄ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements				
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how they have *changed*. Net position-the difference between the County's assets and liabilities-is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of *whether* its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to *additional* nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most *significant funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of *specific* sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioner's Court establishes other funds to control and manage money for *particular* purposes or to show that it is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds*-Most of the County's basic services are included in governmental *funds*, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources *that* can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that *explains* the relationship (or differences) between them.
- *Proprietary funds*-Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and *services* for the County's other programs and activities. The County has no internal service funds.
- *Fiduciary funds*-The County is the trustee, of *fiduciary*, for certain funds. It is also *responsible* for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of *changes* in fiduciary net position. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was approximately \$17.6 million at September 30, 2022.

Table A-1
The County's Net Position
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	14,766	12,715	434	203	15,200	12,918
Capital and non-current assets	8,655	7,439	714	747	9,369	8,186
TOTAL ASSETS	23,421	20,154	1,148	950	24,569	21,104
Deferred outflow-pension plan	170	599	-	-	170	599
TOTAL DEFERRED OUTFLOWS OF RESOURCES	170	599	-	-	170	599
Long-term liabilities	303	722	-	-	303	722
Other liabilities	2,099	1,388	-	-	2,099	1,388
TOTAL LIABILITIES	2,402	2,110	-	-	2,402	2,110
Unavailable revenue-taxes, fines, & fees	3,055	2,913	-	-	3,055	2,913
Deferred inflow-pension plan	1,650	449	-	-	1,650	449
TOTAL DEFERRED INFLOWS OF RESOURCES	4,705	3,362	-	-	4,705	3,362
Net position						
Invested in capital assets net of related debt	6,867	7,035	714	747	7,581	7,782
Restricted	2,395	2,107	-	-	2,395	2,107
Unrestricted	7,222	6,139	434	203	7,656	6,342
TOTAL NET POSITION	16,484	15,281	1,148	950	17,632	16,231

Net position invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$7.6 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$2.39 million is restricted as follows:

Restricted for debt service	-
Restricted for special revenue funds	2,395
	<u>2,395</u>

Net position of the County increased \$1.26 million. The County recorded depreciation of \$702 thousand. \$512 thousand of fixed assets were added. \$238 thousand was paid on principal on debt. The County's revenues exceeded expenditures by \$1.17 million in the governmental funds. Expenses exceeded revenues by \$197 thousand in the proprietary fund. The net pension asset increased \$173 thousand.

Changes in net position.

The County's total revenues were \$8.3 million. 62% of this came from property taxes, 11% came from sales taxes and other taxes, 10% came from charges for services, and 11% came from operating grants and contributions.

The total cost of all programs was \$6.88 million. Approximately 32% of this was for public safety and 24% was for highways, streets and bridges.

Net position increased by \$1.45 million because of the excess of revenues over expenses. Depreciation expense was \$735 thousand for the year.

Table A-2
The County's Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
<u>Program Revenues</u>						
Charges for Services	498	638	376	28	874	666
Operating Grants and Contributions	931	845	-	-	931	845
<u>General Revenues</u>						
Property Taxes	5,149	4,856	-	-	5,149	4,856
Other taxes	930	854	-	-	930	854
Investment earnings	49	27	1	1	50	28
Other	357	203	46	-	403	203
Total Revenues	7,914	7,423	423	29	8,337	7,452
Expenses						
General Government	490	406	-	-	490	406
Judicial	567	493	-	-	567	493
Legal	149	118	-	-	149	118
Financial	417	356	-	-	417	356
Public Facility	116	165	-	-	116	165
Public Safety	2,071	2,096	131	33	2,202	2,129
Health and Welfare	465	171	-	-	465	171
Roads & Streets	1,673	1,811	-	-	1,673	1,811
Cultural and Recreational	111	111	-	-	111	111
Conservation	229	199	-	-	229	199
Intergovernmental	2	16	-	-	2	16
General-miscellaneous	446	517	-	-	446	517
Debt service	14	18	-	-	14	18
Total Expenses	6,750	6,477	131	33	6,881	6,510
Other Sources (Uses)						
Transfers	94	-	(94)	-	-	-
Increase (Decrease) in Net Position	1,258	946	198	(4)	1,456	942
Beginning Net Position	15,281	14,335	950	954	16,231	15,289
Prior Period Adjustment	(55)	-	-	-	(55)	-
Ending Net Position	16,484	15,281	1,148	950	17,632	16,231

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In setting the Fiscal Year 2023 budget, the governing body of Red River, after careful consideration, approved lowering the tax rate by 0.11689, which raised the 2023 tax rate over the effective tax rate, thereby increasing County revenue.

Also, the governing body increased personnel positions by one-half of one employee. We continue to observe a four-day, 33.5 hour work week, allowing County offices to close on Fridays, thus saving on utility costs and employee salaries.

The only significant increases in expenditures budgeted for FY 2023 was for a 5% salary increase across the board. Also, we maintained the \$50 per month longevity pay. No other new programs or initiatives were added for FY 2023.

We believe that the budget is reasonable, attainable, fiscally sound, and allows for services to be provided to the citizens of the County in a sound manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Red River 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 directed to the County's Auditor's Office.

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$6.75 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$5.1 million.
- Some of the cost was paid by those who directly benefited from the programs (\$498 thousand), or by grants and contributions (\$931 thousand).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General Government	490	406	88	231
Public Safety	2,071	2,096	1,665	1,341
Highways, Streets and Bridges	1,672	1,811	1,672	1,693

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$9.2 million at September 30, 2022. This balance is composed of the following in thousands

General	6,806
Special Revenue	2,395
	<u>9,201</u>

Fund balance in the governmental funds increased \$1.17 million. The general fund balance increased \$885 thousand as compared to \$1.1 million the prior year. Tax revenue was up \$200 thousand as both property tax and sales tax increased. The Main Road & Bridge fund balance increased \$160 thousand as compared to an increase of \$145 thousand the prior year. Tax revenue was up \$38 thousand in the Main Road & Bridge fund. Other special revenue funds increased \$116 thousand. Most of this was in the indigent health care fund.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$881 thousand. Actual revenues were \$106 thousand, or 2% less than budgeted. Actually, the fund balance increased \$830 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Land	133	133	22	22
Roads	16,967	16,967	-	-
Buildings and improvements	5,713	5,578	1,642	1,642
Machinery and equipment	3,966	3,927	-	-
Totals at historical cost	<u>26,779</u>	<u>26,605</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(19,609)</u>	<u>(19,166)</u>	<u>(950)</u>	<u>(917)</u>
Net capital assets	<u><u>7,170</u></u>	<u><u>7,439</u></u>	<u><u>714</u></u>	<u><u>747</u></u>

\$512 thousand of new equipment was added in the current year.

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Leases payable	245	340	-	-
Notes payable	58	64	-	-
Vacation & comp. time payable	<u>107</u>	<u>89</u>	<u>-</u>	<u>-</u>
	<u><u>410</u></u>	<u><u>493</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

\$222 thousand was paid on principal this year as scheduled. One new lease for \$128 thousand for a Mack truck was added.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,049,880	\$ 348,593	\$ 6,398,473
Investments - Current	5,097,649	85,540	5,183,189
Accounts Receivable (Net)	3,618,183	-	3,618,183
Capital Assets:			
Land Purchase and Improvements	132,709	22,431	155,140
Infrastructure, Net	3,169,650	-	3,169,650
Buildings, Net	3,273,486	691,288	3,964,774
Furniture and Equipment, Net	594,165	-	594,165
Net Pension Asset	1,484,418	-	1,484,418
Total Assets	<u>23,420,140</u>	<u>1,147,852</u>	<u>24,567,992</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	170,603	-	170,603
Total Deferred Outflows of Resources	<u>170,603</u>	<u>-</u>	<u>170,603</u>
LIABILITIES			
Accounts Payable	27,288	-	27,288
Compensated Absences Payable	106,974	-	106,974
Unearned Revenues	1,964,919	-	1,964,919
Noncurrent Liabilities:			
Due Within One Year	187,512	-	187,512
Due in More Than One Year:			
Loans and Leases - Noncurrent	115,406	-	115,406
Total Liabilities	<u>2,402,099</u>	<u>-</u>	<u>2,402,099</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes & Fees	3,054,790	-	3,054,790
Deferred Inflow Related to Pension Plan	1,650,003	-	1,650,003
Total Deferred Inflows of Resources	<u>4,704,793</u>	<u>-</u>	<u>4,704,793</u>
NET POSITION			
Net Investment in Capital Assets and Lease Assets	6,867,092	713,719	7,580,811
Restricted for Special Revenue Funds	2,394,759	-	2,394,759
Unrestricted Net Position	7,222,000	434,133	7,656,133
Total Net Position	<u>\$ 16,483,851</u>	<u>\$ 1,147,852</u>	<u>\$ 17,631,703</u>

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

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 490,905	\$ 149,527	\$ 252,820
Legal	149,156	10,875	37,882
Judicial	567,181	32,490	6,018
Financial	416,959	224,452	-
Public Facilities	116,252	-	-
Public Safety	2,071,120	26,603	379,740
Conservation	228,968	41,320	-
Intergovernmental	2,437	-	-
Miscellaneous	445,989	12,400	-
Health and Welfare	464,590	-	254,867
Culture and Recreation	110,282	-	-
Roads & Streets	1,672,757	-	-
Interest on Debt	13,578	-	-
Total Governmental Activities	6,750,174	497,667	931,327
BUSINESS-TYPE ACTIVITIES:			
Prisoner Housing	130,650	375,713	-
Total Business-Type Activities	130,650	375,713	-
TOTAL PRIMARY GOVERNMENT	\$ 6,880,824	\$ 873,380	\$ 931,327

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Investment Earnings

Miscellaneous Revenue

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (88,558)	\$ -	\$ (88,558)
(100,399)	-	(100,399)
(528,673)	-	(528,673)
(192,507)	-	(192,507)
(116,252)	-	(116,252)
(1,664,777)	-	(1,664,777)
(187,648)	-	(187,648)
(2,437)	-	(2,437)
(433,589)	-	(433,589)
(209,723)	-	(209,723)
(110,282)	-	(110,282)
(1,672,757)	-	(1,672,757)
(13,578)	-	(13,578)
<u>(5,321,180)</u>	<u>-</u>	<u>(5,321,180)</u>
-	245,063	245,063
-	245,063	245,063
<u>(5,321,180)</u>	<u>245,063</u>	<u>(5,076,117)</u>
5,148,922	-	5,148,922
930,499	-	930,499
49,221	-	49,221
356,535	46,449	402,984
93,963	(93,963)	-
<u>6,579,140</u>	<u>(47,514)</u>	<u>6,531,626</u>
1,257,960	197,549	1,455,509
15,281,441	950,303	16,231,744
(55,550)	-	(55,550)
<u>\$ 16,483,851</u>	<u>\$ 1,147,852</u>	<u>\$ 17,631,703</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Major Road & Bridge Fund	Major Special Revenue Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,974,060	\$ 819,842	\$ (1,743)
Investments - Current	2,821,542	365,852	1,910,255
Accounts Receivable (Net)	3,361,844	247,610	-
Total Assets	<u>\$ 10,157,446</u>	<u>\$ 1,433,304</u>	<u>\$ 1,908,512</u>
LIABILITIES			
Accounts Payable	\$ 17,662	\$ 5,036	\$ -
Unearned Revenues	-	-	1,896,030
Total Liabilities	<u>17,662</u>	<u>5,036</u>	<u>1,896,030</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes & Fees	3,333,473	238,962	-
Total Deferred Inflows of Resources	<u>3,333,473</u>	<u>238,962</u>	<u>-</u>
FUND BALANCES			
Reported in Special Revenue Funds	-	1,189,306	12,482
Unassigned Fund Balance	6,806,311	-	-
Total Fund Balances	<u>6,806,311</u>	<u>1,189,306</u>	<u>12,482</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,157,446</u>	<u>\$ 1,433,304</u>	<u>\$ 1,908,512</u>

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

Other Funds	Total Governmental Funds
\$ 1,257,721	\$ 6,049,880
-	5,097,649
8,729	3,618,183
<u>\$ 1,266,450</u>	<u>\$ 14,765,712</u>
\$ 4,590	\$ 27,288
68,889	1,964,919
<u>73,479</u>	<u>1,992,207</u>
-	3,572,435
<u>-</u>	<u>3,572,435</u>
1,192,971	2,394,759
-	6,806,311
<u>1,192,971</u>	<u>9,201,070</u>
<u>\$ 1,266,450</u>	<u>\$ 14,765,712</u>

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

Total Fund Balances - Governmental Funds	\$	9,201,070
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$26,604,719 and the accumulated depreciation was (\$19,165,827). In addition, long-term liabilities, including notes payable are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		7,035,367
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.		661,587
Included in the items related to debt is the recognition of the County's proportionate share of the net pension asset required by GASB 68 as amended by GASB 71 in the amount of \$1,484,418 a Deferred Resource Inflow related to TCDRS in the amount of \$1,650,003 and a Deferred Resource Outflow related to TCDRS in the amount of \$170,603. This amounted to an increase in Net Position in the amount of \$5,018.		5,018
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(702,362)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		283,171
Net Position of Governmental Activities	\$	16,483,851

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

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

	General Fund	Major Road & Bridge Fund	Major Special Revenue Fund
REVENUES:			
Taxes	\$ 4,116,419	\$ 963,131	\$ -
Licenses and Permits	-	480,815	-
Intergovernmental Revenue and Grants	167,063	25,009	439,297
Charges for Services	527,789	-	-
Fines	92,873	-	-
Other Revenue	205,968	61,207	12,319
Total Revenues	5,110,112	1,530,162	451,616
EXPENDITURES:			
General Government	329,848	-	-
Legal	120,173	-	-
Judicial	495,933	-	-
Financial	390,952	-	-
Public Facilities	104,138	-	31,182
Public Safety	1,846,742	-	-
Conservation	228,968	-	-
Intergovernmental	11,104	-	-
Miscellaneous	454,656	-	-
Health and Welfare	-	-	214,867
Culture and Recreation	110,282	-	-
Roads & Streets	-	1,234,204	-
Principal on Debt	64,833	163,274	-
Interest on Debt	10,546	3,032	-
Capital Outlay	126,218	192,307	193,248
Intergovernmental	-	-	-
Total Expenditures	4,294,393	1,592,817	439,297
Excess (Deficiency) of Revenues Over (Under) Expenditures	815,719	(62,655)	12,319
OTHER FINANCING SOURCES (USES):			
Sale of Equipment	-	95,095	-
Lease Proceeds	-	127,500	-
Transfers In	93,962	-	-
Transfers Out (Use)	(25,000)	-	-
Total Other Financing Sources (Uses)	68,962	222,595	-
Net Change in Fund Balances	884,681	159,940	12,319
Fund Balance - October 1 (Beginning)	5,977,180	1,029,366	163
Prior Period Adjustment	(55,550)	-	-
Fund Balance - September 30 (Ending)	\$ 6,806,311	\$ 1,189,306	\$ 12,482

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

Other Funds	Total Governmental Funds
\$ 395,710	\$ 5,475,260
-	480,815
197,389	828,758
48,112	575,901
61,158	154,031
4,774	284,268
707,143	7,799,033
98,342	428,190
28,983	149,156
-	495,933
-	390,952
-	135,320
230,474	2,077,216
-	228,968
-	11,104
-	454,656
258,390	473,257
-	110,282
-	1,234,204
-	228,107
-	13,578
-	511,773
-	-
616,189	6,942,696
90,954	856,337
-	95,095
-	127,500
25,000	118,962
-	(25,000)
25,000	316,557
115,954	1,172,894
1,077,017	8,083,726
-	(55,550)
\$ 1,192,971	\$ 9,201,070

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

Total Net Change in Fund Balances - Governmental Funds	\$	1,172,894
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase (decrease) the change in net position.		661,587
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date from the prior year of 12/31/2021 caused the change in the ending net position to decrease. Contributions made after the measurement date of 12/31/2021 but during the 2022 FY were de-expended and recorded as a reduction in the net pension liability for the County. This also caused an increase in the change in net position. The County recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The County also recorded the amortization of the deferred inflow and outflow that were recorded in the previous year. The impact of all of these is to increase the change in net position by \$173,341.		173,341
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(702,362)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(47,500)
Change in Net Position of Governmental Activities	\$	1,257,960

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

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5110 Taxes	\$ 4,213,870	\$ 4,213,870	\$ 4,116,419	\$ (97,451)
5300 Intergovernmental Revenue and Grants	275,050	98,074	167,063	68,989
5400 Charges for Services	498,158	498,646	527,789	29,143
5510 Fines	86,540	86,540	92,873	6,333
5700 Other Revenue	109,300	319,708	205,968	(113,740)
5020 Total Revenues	5,182,918	5,216,838	5,110,112	(106,726)
EXPENDITURES:				
Current:				
0100 General Government	325,469	353,368	329,848	23,520
0110 Legal	134,123	134,123	120,173	13,950
0120 Judicial	547,437	567,412	495,933	71,479
0140 Financial	418,019	418,019	390,952	27,067
0150 Public Facilities	162,056	162,036	104,138	57,898
0200 Public Safety	2,191,583	2,197,403	1,846,742	350,661
0210 Conservation	257,312	241,000	228,968	12,032
0220 Intergovernmental	15,600	15,600	11,104	4,496
0230 Miscellaneous	734,400	686,092	454,656	231,436
0400 Health and Welfare	-	-	-	-
0500 Culture and Recreation	126,384	126,384	110,282	16,102
Debt Service:				
0710 Principal on Debt	64,956	64,976	64,833	143
0720 Interest on Debt	10,680	10,680	10,546	134
Capital Outlay:				
0800 Capital Outlay	170,000	198,434	126,218	72,216
Intergovernmental:				
0900 Intergovernmental	-	-	-	-
6030 Total Expenditures	5,158,019	5,175,527	4,294,393	881,134
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	24,899	41,311	815,719	774,408
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	93,962	93,962
8911 Transfers Out (Use)	(25,000)	(25,000)	(25,000)	-
7080 Total Other Financing Sources (Uses)	(25,000)	(25,000)	68,962	93,962
1200 Net Change	(101)	16,311	884,681	868,370
0100 Fund Balance - October 1 (Beginning)	5,977,180	5,977,180	5,977,180	-
1300 Prior Period Adjustment	-	-	(55,550)	(55,550)
3000 Fund Balance - September 30 (Ending)	\$ 5,977,079	\$ 5,993,491	\$ 6,806,311	\$ 812,820

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

PROPRIETARY FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

Business Type Activities

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 348,593
Investments - Current	85,540
Total Current Assets	<u>434,133</u>

Noncurrent Assets:

Capital Assets:

Land Purchase and Improvements	22,431
Buildings	1,641,823
Accumulated Depreciation - Buildings	<u>(950,535)</u>
Total Noncurrent Assets	<u>713,719</u>

Total Assets	<u>1,147,852</u>
--------------	------------------

NET POSITION

Net Investment in Capital Assets and Lease Assets	713,719
Unrestricted Net Position	<u>434,133</u>
Total Net Position	<u>\$ 1,147,852</u>

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

RED RIVER COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-2

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Prisoner Housing	\$ 375,713
Other Revenue	46,449
Total Operating Revenues	422,162
OPERATING EXPENSES:	
Payroll and Benefits	97,839
Depreciation	32,811
Total Operating Expenses	130,650
Income Before Transfers	291,512
Transfers Out (Use)	(93,963)
Change in Net Position	197,549
Total Net Position - October 1 (Beginning)	950,303
 Total Net Position - September 30 (Ending)	 \$ 1,147,852

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

RED RIVER COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT D-3

	Business-Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 422,162
Cash Payments to Employees for Services	(97,839)
	324,323
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(93,963)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
	-
Net Increase in Cash and Cash Equivalents	230,360
Cash and Cash Equivalents at Beginning of Year	203,773
	434,133
Cash and Cash Equivalents at End of Year	\$ 434,133
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 291,512
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	32,811
Net Cash Provided by Operating Activities	\$ 324,323

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Red River County, Texas
STATEMENT OF NET POSITION--FIDUCIARY FUND
as of September 30, 2022

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	393,877
Investments-Current	<u>193,217</u>
Total Assets	<u><u>587,094</u></u>
LIABILITIES	
Due to other governments	<u><u>587,094</u></u>

The accompanying notes are an integral part of this statement.

Red River County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red River County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

Pensions. The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Red River County with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include fees of offices. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the County to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

1. **The General Fund** -- The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** -- One special revenue fund is considered a major fund. This fund is the main road and bridge. See the definition of these funds below.

Additionally, the County reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** -- The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Fund is the jail housing fund.

Fiduciary Funds:

1. **Agency Funds** --The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains trust funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the County and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	5
Office Equipment	5-7
Machinery	7-10
Roads	50

4. Some cash and investments are restricted for future debt payments.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. Investments are recorded at fair market value.
8. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.
9. Deferred Outflows/Inflows of Resources—The County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. The County implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions as amended for GASB 71 for the year ended September 30, 2015. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one type of item that qualifies for reporting in this category, deferred outflows related to TCDRS as per GASB 68 related to pension accounting. This will be recognized as an outflow of resources in the subsequent years as it is amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category, property taxes, fines, and fees, and a deferred inflow related to pension accounting under GASB Statement No.68. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

10. Fund balance measures the net financial resources available to finance expenditures of future periods. The County's Unassigned General Fund Balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the County Commissioner's Court.

Fund balance of the County may be committed for a specific source by formal action of the County Commissioner's Court. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commissioner's Court.

When it is appropriate for fund balance to be assigned, the Commissioner's Court delegates authority to the County Judge and Auditor. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	132,709	-	132,709	
Construction in Progress	-	-	-	
Buildings and Improvements	5,577,813	(2,334,351)	3,243,462	
Machinery and Equipment	3,926,697	(3,381,226)	545,471	
County Roads & Bridges	<u>16,967,500</u>	<u>(13,450,250)</u>	<u>3,517,250</u>	
Change in Net Position	<u>26,604,719</u>	<u>(19,165,827)</u>	<u>7,438,892</u>	<u>7,438,892</u>
This does not include fixed assets of the internal service funds.				
<u>Long-term liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Leases Payable			(339,736)	
Notes Payable			<u>(63,789)</u>	
Change in Net Position				<u>(403,525)</u>
<u>Net Pension Asset/Liability at the beginning of the year</u>				
Net Pension Asset/Liability			(318,135)	
Deferred Outflow related to TCDRS			599,164	
Deferred Inflow related to TCDRS			<u>(449,352)</u>	
Change in Net Position				<u>(168,323)</u>
Net Adjustment to Net Position				<u>6,867,044</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Buildings and Improvements	135,000	135,000	135,000
Machinery & equipment	376,773	376,773	376,773
Total Capital Outlay	<u>511,773</u>	<u>511,773</u>	<u>511,773</u>
Book value of assets disposed of	<u>(78,293)</u>	<u>(78,293)</u>	<u>(78,293)</u>
<u>Debt Principal Payments</u>			
Lease principal	222,131	222,131	222,131
Note principal	5,976	5,976	5,976
Total Principal Payments	<u>228,107</u>	<u>228,107</u>	<u>228,107</u>
Total Adjustment to Net Position		<u><u>661,587</u></u>	<u><u>661,587</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	177,634	(177,634)	-
Uncollected taxes (assumed collectible) from Current Year Levy	217,848	217,848	217,848
Uncollected Taxes (assumed collectible) from Prior Year Levy	299,797	-	299,797
Effect of prior year tax entry	58,123	58,123	-
<u>Valuation and comp. Time payable</u>			
End of year liability	106,974	-	(106,974)
Change in liability from prior year	18,337	(18,337)	-
Debt proceeds	<u>127,500</u>	<u>(127,500)</u>	<u>(127,500)</u>
Total		<u><u>(47,500)</u></u>	<u><u>283,171</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioner's court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioner's court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the County complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currencies.

As of September 30, 2022, the following are the County's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash, Money Markets and FDIC Insured Accounts	6,792,350	100.0%	6,792,350	-	-	N/A
Total Cash and Cash Equivalents	<u>\$ 6,792,350</u>	100.0%	<u>\$ 6,792,350</u>	<u>-</u>	<u>-</u>	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Depository: State Bank of DeKalb
- The market value of securities pledged as of September 30, 2022 was \$7,763,844.
- The combined balances of cash, savings, and time deposit accounts amounted to \$7,000,372 as of September 30, 2022.
- Total amount of FDIC coverage at September 30, 2022 was \$500,000.

Investments

County Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. RED RIVER COUNTY, TEXAS is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for RED RIVER COUNTY, TEXAS are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the County limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2022, the County did not invest in commercial paper.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the County requires counterparties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County limits investments to less than 5% of its total investments. The County further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of September 30, 2022, Red River County had the following investments subject to the fair value measurement.

Investment by Fair Value Level	Balance at September 30, 2022	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Credit Rating
Debt Securities:							
U.S. Treasury Securities	752,697	752,697		-		-	AAAm
Agencies	3,172,079	3,172,079		-		-	AAAm
Repurchase Agreement	1,451,630	1,451,630		-		-	AAAm
Total Debt Securities	5,376,406	5,376,406		-		-	
Total	5,376,406	5,376,406		-		-	

The above securities have a maturity of less than one year. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Red River County has no investments measured at the Net Asset Value (NAV) per Share. The County estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. This is acquired through the investment pool mix.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The County levied property taxes for the 2021 tax roll totaling approximately \$5.1 million. Such tax is based on an assessed valuation of approximately \$658 million with an applicable tax rate of \$0.78034 per \$100 valuation.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between General and Road and Bridge based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Road and Bridge Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS

There was a transfer of \$25,000 from the General fund to the non-major special revenue fund juvenile probation department. Also there was a transfer of \$93,963 from the proprietary fund prisoner housing to the General fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2022, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	1,235,635	4,311,515	-	38,484	5,585,634
Major Special Revenue Funds	298,703	-	-	8,648	307,351
Nonmajor Governmental Funds	-	-	8,729	-	8,729
Total - Governmental Activities	<u>1,534,338</u>	<u>4,311,515</u>	<u>8,729</u>	<u>47,132</u>	<u>5,901,714</u>
Amounts not scheduled for collection during the subsequent year	<u>306,868</u>	<u>1,976,663</u>	<u>-</u>	<u>-</u>	<u>2,283,531</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2022, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	17,662	-	-	-	17,662
Major Special Revenue Funds	5,036	-	-	-	5,036
Nonmajor Gov. Funds	4,590	-	-	-	4,590
Total - Gov. Activities	<u>27,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,288</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

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

	Primary Government				
	<u>Beginning</u>			<u>Adjustments</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>		<u>Balance</u>
Governmental Activities:					
County:					
Land	132,709	-	-	-	132,709
Buildings and Improvements	5,577,813	135,000	-	-	5,712,813
Machinery and Equipment	3,926,697	376,773	(337,916)	-	3,965,554
Roads	16,967,500	-	-	-	16,967,500
Totals at Historic Cost	<u>26,604,719</u>	<u>511,773</u>	<u>(337,916)</u>	<u>-</u>	<u>26,778,576</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(2,334,351)	(104,976)	-	-	(2,439,327)
Machinery and Equipment	(3,381,226)	(249,786)	259,623	-	(3,371,389)
Roads	(13,450,250)	(347,600)	-	-	(13,797,850)
Total Accumulated Depreciation	<u>(19,165,827)</u>	<u>(702,362)</u>	<u>259,623</u>	<u>-</u>	<u>(19,608,566)</u>
Governmental Activities Capital Assets, Net	<u>7,438,892</u>	<u>(190,589)</u>	<u>(78,293)</u>	<u>-</u>	<u>7,170,010</u>
	<u>Beginning</u>			<u>Adjustments</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>		<u>Balance</u>
Business-Type Activities:					
Land	22,431	-	-	-	22,431
Buildings and Improvements	1,641,823	-	-	-	1,641,823
Totals at Historic Cost	<u>1,664,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,664,254</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(917,724)	(32,811)	-	-	(950,535)
Total Accumulated Depreciation	<u>(917,724)</u>	<u>(32,811)</u>	<u>-</u>	<u>-</u>	<u>(950,535)</u>
Business-Type Activities Capital Assets, Net	<u>713,719</u>	<u>(32,811)</u>	<u>-</u>	<u>-</u>	<u>680,908</u>
Primary Government Capital Assets, net	<u>8,152,611</u>	<u>(223,400)</u>	<u>(78,293)</u>	<u>-</u>	<u>7,850,918</u>

Depreciation expense was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	73,115	Public Safety	6,401
Public Safety	38,973	Judicial	26,410
Highways, Streets and Bridges	479,152		
Financial	26,007		
Judicial	85,115		
	<u>702,362</u>		<u>32,811</u>

G. CHANGES IN LONG-TERM DEBT

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

	Original Amount	Interest Rate	Payable at 10/1/2021	Additions (Reductions)	Payable at 9/30/2022	Due within One Year
Note Payable--metal roof and related equipment	94,864	4.35%	63,789	(5,976)	57,813	6,214
			<u>63,789</u>	<u>(5,976)</u>	<u>57,813</u>	<u>6,214</u>

The Counties long-term debt from notes as of September 30, 2022, follows:

(A) Note payable, Government Capital Corporation, due in annual principal payments of \$8,735 including interest at 4.348%. Annual payments began in December 2015 and continue through December 2029.	57,813
	<u>57,813</u>

The annual requirements to amortize notes payable as of September 30, 2022, follows:

Years Ending 9/30	Principal	Interest	Total
2023	6,214	2,521	8,735
2024	6,484	2,251	8,735
2025	6,766	1,969	8,735
2026	7,061	1,674	8,735
2027	7,368	1,367	8,735
2028-2032	23,920	2,285	26,205
	<u>57,813</u>	<u>12,067</u>	<u>69,880</u>

H. COMMITMENTS UNDER LEASES

The County entered into a capital lease purchase agreement February 7, 2019 with Bancorp South Finance for the purpose of purchasing a Precinct 4 2018 Mack Truck. The amount capitalized was \$97,075, monthly payments, \$2,868, begin March, 2019 including principal and interest. The interest rate is 4.04%. Monthly payments of \$2,868 including principal and interest at 4.04% begin March 2019 and continue through February 2023.

The County entered into an additional lease purchase agreement in fiscal year 2020 with Bancorp South Financial. In June, 2020, Precinct #3 acquired a 2021 Mack Truck. The amount capitalized was \$119,800. Monthly payments of interest at 2.34% begin July, 2020. In July, 2021 a principal payment of \$118,703 is due to pay off the remaining balance. This lease was paid off this year in the amount of \$103 thousand. In March 2017, Precinct #3 acquired a John Deere 6610M tractor with boom mower and ditcher. The amount capitalized was \$154,580. Annual payments of \$33,263 including principal and interest at 2.462% begin April 2018. This was paid off this year as well.

The County entered into an additional lease purchase in fiscal year 2022 for a new Mack Truck in the amount of \$127,500. Monthly payments of \$1,511 are due through March 28, 2023 with a balloon payment of \$112,500 due in April, 2023. This lease carries an interest rate of 2.41%.

The County entered into a capital lease purchase agreement August 22, 2018 with Hart Intercivic for the purpose of purchasing election equipment. The amount capitalized was \$293,100, annual payments, \$66,706, begin October, 2018 including principal and interest. The interest rate is 4.26%.

The Counties long-term debt from leases as of September 30, 2022, follows:

Leases payable to Bancorp South--

	Original Amount	Interest Rate	Payable at 10/1/2021	Additions (Reductions)	Payable at 9/30/2022	Due within One Year
Precinct 4 Mack Truck	97,075	4.04%	16,783	(16,783)	-	-
Precinct 3 Mack Truck	119,800	2.34%	106,469	(106,469)	-	-
Precinct 3 Mack Truck	127,500	2.41%	-	119,933	119,933	119,933
Precinct 3 JD Tractor	154,580	2.46%	32,455	(32,455)	-	-
General County Election Equipment	293,100	4.26%	184,029	(58,857)	125,172	61,365
			<u>339,736</u>	<u>(94,631)</u>	<u>245,105</u>	<u>181,298</u>

Years Ending 9/30	Principal	Interest	Total
2023	181,298	6,974	188,272
2024	63,807	2,726	66,533
2025	-	-	-
2026	-	-	-
2027	-	-	-
	<u>245,105</u>	<u>9,700</u>	<u>254,805</u>

I. DEFINED BENEFIT PENSION PLANS

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years of service but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

All eligible employees of the County are required to participate in the TCDRS.

Benefits Provided

TCDRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within 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 as if the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms.

At December 31, 2020 and 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	2020	2021
Inactive employees or beneficiaries currently receiving benefits	60	63
Inactive employees entitled to but not yet receiving benefits	150	157
Active employees	94	95
	304	315

Contributions

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.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 10% and 10.71% in calendar years 2021 and 2022. The County's contributions to TCDRS for the year ended September 30, 2022 was \$252,503 and was equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.50%	per year
Overall payroll growth	3.00%	per year
Investment Rate of Return	7.5%	per year

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

The long-term expected rate of return on pension plan investments is 8% for 2020 and 7.6% for 2021 measurement dates. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equity	11.5%	3.80%
International Equity	11.0%	3.8-4.3%
Various	46.5%	1.55-6.25%
Hedge Funds	6.0%	1.55%
Private Equity	25.0%	6.80%
Total	100.0%	

I. DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1% for 2019 and 7.60% for 2020 and 7.60 for 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at December 31, 2020	\$ 11,809,443	\$ 11,491,308	\$ 318,135
Changes for the year:			
Service cost	379,250	-	379,250
Interest	902,549	-	902,549
Effects of economic/demographic gains/losses	(79,076)	-	(79,076)
Changes of assumptions	(71,846)	-	(71,846)
Contributions - employer	-	259,915	(259,915)
Contributions - employee	-	181,820	(181,820)
Net investment income	-	2,501,543	(2,501,543)
Benefit payments, including refund of contributions	(637,773)	(637,773)	-
Administrative expense	-	(7,459)	7,459
Other changes	-	(2,389)	2,389
Net changes	\$ 493,104	\$ 2,295,657	\$ (1,802,553)
Balance at December 31, 2021	\$ 12,302,547	\$ 13,786,965	\$ (1,484,418)

The following presents the net pension liability of the County, calculated using the discount rate of 7.6%, as well as what the District's net pension liability 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 for:

Measurement Date	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.6%	7.6%	8.6%
12/31/2021 County's net pension liability/(Asset)	\$ 128,661	\$ (1,484,418)	\$ (2,824,931)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the County recognized pension expense of \$252,503.

At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	39,538	-
Changed is actuarial assumptions	35,923	-
Difference between projected and actual investment earnings	1,574,542	-
Contributions subsequent to the measurement date	-	170,603
Total	1,650,003	170,603

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

Year ended September 30:	
2023	(415,116)
2024	(531,974)
2025	(375,737)
2026	(327,176)
2027	-
Thereafter	-

J. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds.

K. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2022, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

L. VACATION AND COMP. TIME PAYABLE

Changes in vacation and comp. time payable is as follows:

<u>9/30/2022</u>	<u>9/30/2021</u>
106,974	88,637

M. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable and fines expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

N. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2022.

O. LITIGATION

The County has no pending litigation at September 30, 2022.

P. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 8, 2023 the financial statement issuance date.

REQUIRED SUPPLEMENTAL INFORMATION

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

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
A. Total Pension Liability			
Service Cost	\$ 379,250	\$ 311,901	\$ 283,757
Interest (on the Total Pension Liability)	902,549	868,219	820,239
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(79,076)	(112,355)	75,152
Changes of Assumptions	(71,846)	654,243	-
Benefit Payments, Including Refunds of Employee Contributions	(637,773)	(626,647)	(603,670)
Net Change in Total Pension Liability	\$ 493,104	\$ 1,095,361	\$ 575,478
Total Pension Liability - Beginning	11,809,443	10,714,082	10,138,604
Total Pension Liability - Ending	\$ 12,302,547	\$ 11,809,443	\$ 10,714,082
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 259,915	\$ 271,988	\$ 226,078
Contributions - Employee	181,820	186,840	168,354
Net Investment Income	2,501,543	1,092,531	1,523,855
Benefit Payments, Including Refunds of Employee Contributions	(637,773)	(626,647)	(603,670)
Administrative Expense	(7,459)	(8,408)	(8,062)
Other	(2,389)	(3,918)	(5,690)
Net Change in Plan Fiduciary Net Position	\$ 2,295,657	\$ 912,386	\$ 1,300,865
Plan Fiduciary Net Position - Beginning	11,491,308	10,578,922	9,278,057
Plan Fiduciary Net Position - Ending	\$ 13,786,965	\$ 11,491,308	\$ 10,578,922
C. Net Pension Liability (Asset)	\$ (1,484,418)	\$ 318,135	\$ 135,160
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	112.07%	97.31%	98.74%
E. Covered Payroll	\$ 2,432,420	\$ 2,370,672	\$ 2,316,620
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(61.03%)	13.42%	5.83%

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 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 275,683	\$ 298,019	\$ 277,381	\$ 295,844
745,666	700,798	679,496	666,444
48,098	-	-	-
-	-	-	(42,778)
46,253	-	(141,266)	-
(614,183)	(540,079)	(534,542)	(493,989)
\$ 501,517	\$ 458,738	\$ 281,069	\$ 425,521
9,231,181	8,772,443	8,491,374	8,065,853
\$ 9,732,698	\$ 9,231,181	\$ 8,772,443	\$ 8,491,374
\$ 195,702	\$ 187,406	\$ 179,972	\$ 189,655
150,704	148,567	141,395	144,617
1,270,944	614,895	(8,366)	550,859
(614,183)	(540,079)	(534,542)	(493,989)
(6,471)	(6,681)	(6,057)	(6,419)
(36,580)	14,250	12,207	11,902
\$ 960,116	\$ 418,358	\$ (215,391)	\$ 396,625
8,736,682	8,318,324	8,533,685	8,137,060
\$ 9,696,798	\$ 8,736,682	\$ 8,318,294	\$ 8,533,685
\$ 35,900	\$ 494,499	\$ 454,149	\$ (42,311)
99.63%	94.64%	94.82%	100.49%
\$ 2,136,277	\$ 2,122,379	\$ 2,019,929	\$ 2,030,546
1.68%	23.30%	22.48%	(2.08%)

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

	2022	2021	2020
Actuarially Determined Contribution	\$ 252,502	\$ 246,993	\$ 231,756
Contributions in Relation to the Actuarially Determined Contributions	(252,502)	246,993	231,756
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,432,420	\$ 2,370,672	\$ 2,316,620
Contributions as a Percentage of Covered Employee Payroll	10.38%	10.42%	10.00%

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

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

	2019	2018	2017	2016	2015
\$	209,599	\$ 200,123	\$ 182,392	\$ 175,831	\$ 171,185
	209,599	200,123	182,392	175,831	171,185
\$	-	\$ -	\$ -	\$ -	\$ -
\$	2,227,012	\$ 2,136,277	\$ 1,970,674	\$ 1,952,108	\$ 1,896,659
	9.41%	9.37%	9.25%	8.98%	9.03%

RED RIVER COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2022

A. Notes to Schedules for the TCDRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of September 30, 2020 was developed using a roll-forward method from the September 30, 2018.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TCDRS for the period ending September 30, 2020.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate remained at 7.6%.

- The long term assumed rate of return decreased from 8.0% to 7.6%.
- The change in the long-term assumed rate of return combined with the change in the net investment income was the primary reason for the increase in the net pension liability.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

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

	Law Library	Drug Fund	Courthouse Security	Indigent Health Care
ASSETS				
Cash and Cash Equivalents	\$ 945	\$ 87,883	\$ 84,887	\$ 631,314
Accounts Receivable (Net)	-	-	-	-
Total Assets	<u>\$ 945</u>	<u>\$ 87,883</u>	<u>\$ 84,887</u>	<u>\$ 631,314</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Assigned Fund Balance:				
Reported in Special Revenue Funds	945	87,883	84,887	631,314
Total Fund Balances	<u>945</u>	<u>87,883</u>	<u>84,887</u>	<u>631,314</u>
Total Liabilities and Fund Balances	<u>\$ 945</u>	<u>\$ 87,883</u>	<u>\$ 84,887</u>	<u>\$ 631,314</u>

Book Preservation	Record Management	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversiory Placement	Title VI-E	Bail Bond Board
\$ 108,531	\$ 5,830	\$ 61,141	\$ 21,633	\$ (5,852)	\$ 9,734	\$ 67,516	\$ 13,850
-	-	-	-	8,729	-	-	-
<u>\$ 108,531</u>	<u>\$ 5,830</u>	<u>\$ 61,141</u>	<u>\$ 21,633</u>	<u>\$ 2,877</u>	<u>\$ 9,734</u>	<u>\$ 67,516</u>	<u>\$ 13,850</u>
\$ (68)	\$ -	\$ -	\$ 1,518	\$ 2,877	\$ -	\$ 74	\$ -
-	-	-	-	-	9,734	59,155	-
<u>(68)</u>	<u>-</u>	<u>-</u>	<u>1,518</u>	<u>2,877</u>	<u>9,734</u>	<u>59,229</u>	<u>-</u>
108,599	5,830	61,141	20,115	-	-	8,287	13,850
<u>108,599</u>	<u>5,830</u>	<u>61,141</u>	<u>20,115</u>	<u>-</u>	<u>-</u>	<u>8,287</u>	<u>13,850</u>
<u>\$ 108,531</u>	<u>\$ 5,830</u>	<u>\$ 61,141</u>	<u>\$ 21,633</u>	<u>\$ 2,877</u>	<u>\$ 9,734</u>	<u>\$ 67,516</u>	<u>\$ 13,850</u>

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

	Hot Check Fee	County Attorney Drug Forf.	Co. Attny Welfare Fruad	MSheriff Comm. Svc. Program
ASSETS				
Cash and Cash Equivalents	\$ 1,616	\$ 13,181	\$ 617	\$ 16
Accounts Receivable (Net)	-	-	-	-
Total Assets	<u>\$ 1,616</u>	<u>\$ 13,181</u>	<u>\$ 617</u>	<u>\$ 16</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 189	\$ -	\$ -
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>189</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Assigned Fund Balance:				
Reported in Special Revenue Funds	1,616	12,992	617	16
Total Fund Balances	<u>1,616</u>	<u>12,992</u>	<u>617</u>	<u>16</u>
Total Liabilities and Fund Balances	<u>\$ 1,616</u>	<u>\$ 13,181</u>	<u>\$ 617</u>	<u>\$ 16</u>

Economic Development	County Clerk Vital Stats Record	County Clerk Archive Fees	Total Nonmajor Governmental Funds
\$ 1,978	\$ 3,843	\$ 149,058	\$ 1,257,721
-	-	-	8,729
<u>\$ 1,978</u>	<u>\$ 3,843</u>	<u>\$ 149,058</u>	<u>\$ 1,266,450</u>
\$ -	\$ -	\$ -	\$ 4,590
-	-	-	68,889
<u>-</u>	<u>-</u>	<u>-</u>	<u>73,479</u>
1,978	3,843	149,058	1,192,971
<u>1,978</u>	<u>3,843</u>	<u>149,058</u>	<u>1,192,971</u>
<u>\$ 1,978</u>	<u>\$ 3,843</u>	<u>\$ 149,058</u>	<u>\$ 1,266,450</u>

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

	Law Library	Drug Fund	Courthouse Security	Indigent Health Care
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 395,710
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	6,055	-	-	-
Fines	-	4,968	9,332	-
Other Revenue	6	140	124	1,899
Total Revenues	<u>6,061</u>	<u>5,108</u>	<u>9,456</u>	<u>397,609</u>
EXPENDITURES:				
General Government	-	-	-	-
Legal	13,109	-	-	-
Public Safety	-	7,813	-	-
Health and Welfare	-	-	-	258,390
Total Expenditures	<u>13,109</u>	<u>7,813</u>	<u>-</u>	<u>258,390</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,048)</u>	<u>(2,705)</u>	<u>9,456</u>	<u>139,219</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(7,048)	(2,705)	9,456	139,219
Fund Balance - October 1 (Beginning)	<u>7,993</u>	<u>90,588</u>	<u>75,431</u>	<u>492,095</u>
Fund Balance - September 30 (Ending)	<u>\$ 945</u>	<u>\$ 87,883</u>	<u>\$ 84,887</u>	<u>\$ 631,314</u>

Book Preservation	Record Management	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversiory Placement	Title VI-E	Bail Bond Board
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	160,712	8,106	28,571	-
38,055	3,265	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,377	7	246	170	-	-	-	521
<u>39,432</u>	<u>3,272</u>	<u>246</u>	<u>170</u>	<u>160,712</u>	<u>8,106</u>	<u>28,571</u>	<u>521</u>
48,141	2,149	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	25,070	160,712	8,106	28,571	-
-	-	-	-	-	-	-	-
<u>48,141</u>	<u>2,149</u>	<u>-</u>	<u>25,070</u>	<u>160,712</u>	<u>8,106</u>	<u>28,571</u>	<u>-</u>
<u>(8,709)</u>	<u>1,123</u>	<u>246</u>	<u>(24,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521</u>
-	-	-	25,000	-	-	-	-
-	-	-	25,000	-	-	-	-
<u>(8,709)</u>	<u>1,123</u>	<u>246</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521</u>
<u>117,308</u>	<u>4,707</u>	<u>60,895</u>	<u>20,015</u>	<u>-</u>	<u>-</u>	<u>8,287</u>	<u>13,329</u>
<u>\$ 108,599</u>	<u>\$ 5,830</u>	<u>\$ 61,141</u>	<u>\$ 20,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,287</u>	<u>\$ 13,850</u>

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

	Hot Check Fee	County Attorney Drug Forf.	Co. Attny Welfare Fruad	MSheriff Comm. Svc. Program
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	737	-	-	-
Fines	-	9,000	-	-
Other Revenue	14	10	1	-
Total Revenues	<u>751</u>	<u>9,010</u>	<u>1</u>	<u>-</u>
EXPENDITURES:				
General Government	-	-	-	-
Legal	15,874	-	-	-
Public Safety	-	-	-	202
Health and Welfare	-	-	-	-
Total Expenditures	<u>15,874</u>	<u>-</u>	<u>-</u>	<u>202</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,123)</u>	<u>9,010</u>	<u>1</u>	<u>(202)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(15,123)	9,010	1	(202)
Fund Balance - October 1 (Beginning)	<u>16,739</u>	<u>3,982</u>	<u>616</u>	<u>218</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,616</u>	<u>\$ 12,992</u>	<u>\$ 617</u>	<u>\$ 16</u>

Economic Development	County Clerk Vital Stats Record	County Clerk Archive Fees	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 395,710
-	-	-	197,389
-	-	-	48,112
-	1,198	36,660	61,158
-	6	253	4,774
-	<u>1,204</u>	<u>36,913</u>	<u>707,143</u>
-	755	47,297	98,342
-	-	-	28,983
-	-	-	230,474
-	-	-	258,390
-	<u>755</u>	<u>47,297</u>	<u>616,189</u>
-	<u>449</u>	<u>(10,384)</u>	<u>90,954</u>
-	-	-	25,000
-	-	-	25,000
-	449	(10,384)	115,954
<u>1,978</u>	<u>3,394</u>	<u>159,442</u>	<u>1,077,017</u>
<u>\$ 1,978</u>	<u>\$ 3,843</u>	<u>\$ 149,058</u>	<u>\$ 1,192,971</u>

FIDUCIARY FUNDS

Red River County, Texas
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUND
 As of September 30, 2022

	State Trust	Arrest Fees	Law Enforcement	Total
ASSETS				
Cash and cash equivalents	267,860	111,439	14,578	393,877
Investments-Current	193,217	-	-	193,217
Total Assets	<u>461,077</u>	<u>111,439</u>	<u>14,578</u>	<u>587,094</u>
LIABILITIES				
Due to other governments	<u>461,077</u>	<u>111,439</u>	<u>14,578</u>	<u>587,094</u>

REPORTS ON INTERNAL CONTROL, COMPLIANCE & FEDERAL AWARDS



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 Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 8, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Report on Internal Control over Compliance

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

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

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

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 8, 2023

Red River County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED September 30, 2022

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Red River County was unmodified.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. None
- e. The type of report the auditor issued on compliance for major programs. Unmodified
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : NONE
- g. An identification of major programs: American Rescue Plan #93.498
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. No

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

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

Red River County, Texas
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2022

N/A

Red River County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2022

VIEWS AND PLANNED CORRECTIVE ACTIONS

N/A

The contact at the County is Camille Hines at 903-427-2131.

Red River County, Texas
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
 For the year ended September 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through TDA-TDHCA</u>			
Home Program	14.239	7220381	310,887
<u>Passed Through TDA-TXCDBG</u>			
Water Improvements	14.228	4287901	<u>119,756</u>
Total Passed Through TDA			<u>430,643</u>
TOTAL DEPARTMENT OF HUD			<u><u>430,643</u></u>
DEPARTMENT OF JUSTICE			
<u>Passed Through Office of Governor</u>			
VAWA	16.588	3953202	29,582
Justice Assistance Grant	16.738	4287901	<u>15,526</u>
Total Passed Through OOG			<u>45,108</u>
TOTAL DEPARTMENT OF JUSTICE			<u><u>45,108</u></u>
DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through Office of Governor</u>			
State Homeland Security	97.067	4288001	<u>36,268</u>
Total Passed Through OOG			<u>36,268</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u><u>36,268</u></u>
DEPARTMENT OF HEALTH & HUMAN SERVICES			
<u>Direct Program</u>			
American Rescue Funds	93.498	TX4HJJNFWUW8	<u>439,297</u>
Total Passed Through State of Texas			<u>439,297</u>
TOTAL DEPARTMENT OF HHS			<u><u>439,297</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>951,316</u></u>

Red River County, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

1. Special revenue funds are normally used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. The sewer grant was accounted for in the proprietary fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Some federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days after the end date of the period of performance as specified in the terms and conditions of the federal award under 2 CFR Section 200.343b (Uniform Guidance).

- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$0.

SUPPLEMENTAL SCHEDULES

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2022

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDA
 Project #7220381, Contract Period: 2/01/2021-1/31/2023

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>275,000</u>	<u>17,970</u>	<u>119,755</u>	<u>137,725</u>
EXPENSES				
Construction	227,460	-	102,479	102,479
Engineering	25,540	12,770	10,216	22,986
Administration	<u>22,000</u>	<u>5,200</u>	<u>7,060</u>	<u>12,260</u>
TOTAL EXPENSES	<u>275,000</u>	<u>17,970</u>	<u>119,755</u>	<u>137,725</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2022

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TXCDBG
 Project #4287901

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>1,166,050</u>	<u>26,515</u>	<u>310,877</u>	<u>337,392</u>
EXPENSES				
Community Development	<u>1,166,050</u>	<u>26,515</u>	<u>310,877</u>	<u>337,392</u>
TOTAL EXPENSES	<u>1,166,050</u>	<u>26,515</u>	<u>310,877</u>	<u>337,392</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>