

STERLING COUNTY,
TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30,2022



Roberts & McGee CPA

STERLING COUNTY, TEXAS
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court
Sterling County, Texas:

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas, 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. 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 Sterling County, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, we:

- Exercise professional judgement 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 Sterling County Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the overall appropriateness of accounting policies used and the reasonableness of significant 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 Sterling County Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4-10 and 39-43 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 Sterling County, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas
February 10, 2023

STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

As management of Sterling County we offer readers of Sterling County, Texas' financial statements this narrative overview and analysis of the financial activities of Sterling County, Texas for the fiscal year ended September 30, 2022.

Financial Highlights

Government-Wide Financial Statements

- The assets of the governmental activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$13,862,341 (*net position*). Of this amount, \$5,407,838 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$6,608,151 of the County's equity is invested in capital assets, net of related debt; and \$1,846,352 of the County's equity is restricted for special revenue funds and debt service.
- The assets of the business-type activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$1,908,737 (*net position*). Of this amount, \$1,199,215 (*unrestricted*) may be used to meet the government's ongoing obligations. \$709,522 of the County's equity is invested in capital assets.
- The net position (*equity*) of the governmental activities of the County increased by \$915,977 during the 2022 fiscal year, and net position (*equity*) of the business-type activities of the County increased by \$100,570 during the 2022 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, Sterling County's general fund reported an ending unassigned fund balance of \$4,871,983. This fund balance reflects an increase of \$191,164 over the prior year unassigned fund balance.
- In the road & bridge fund, the fund balance increased \$46,455 for the current year.
- The proprietary fund which reports on the operations of the nursing home reflects an increase in net position for the current year of \$100,570.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Sterling County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Sterling County include general administration, judicial, legal, public facilities, road and bridge, public safety, health and welfare, and other supported services. The government-wide financial statements can be found on pages 11-12 of this report.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Fund Financial Statements

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

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

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

Sterling County has four governmental fund types which are the general fund, special revenue funds, capital projects fund, and debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road & bridge fund, capital projects fund, and debt service fund, which are considered to be major funds. Data from the other non-major governmental funds is combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. The governmental fund financial statements can be found on pages 13-18 of this report.

Sterling County adopts an annual appropriated budget for the general fund, the road & bridge fund, and various other special revenue funds. Budgetary comparison schedules have been provided for the general fund and the road & bridge fund to demonstrate compliance with the budgets on pages 39-40.

Proprietary funds. Sterling County maintains one proprietary fund which is the Nursing Home Fund. This fund charges for the services it provides to residents of the nursing home. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's proprietary fund is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as agency funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statements can be found on pages 22-23.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-38 of this report.

Other information. The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 44-47 of this report. Combining financial statements for the aggregated component units are also provided as other supplemental information and can be found on pages 48-49.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sterling County, assets exceeded liabilities by \$13,862,341 in the governmental activities and \$1,908,737 in the business-type activities at the close of the most recent fiscal year.

\$7,317,673 of Sterling County's total net position (46 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. Sterling County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Sterling County's Net Position

	Governmental Activities	
	2022	2021
Current assets	\$ 16,586,398	\$ 17,689,404
Non-current assets	8,212,911	7,220,581
Total Assets	24,799,309	24,909,985
Deferred Outflows - Pension	181,028	387,863
Total Assets and Deferred Outflows	24,980,337	25,297,848
Current liabilities	1,131,776	1,861,620
Long-term liabilities	9,054,949	10,126,055
Total Liabilities	10,186,725	11,987,675
Deferred Inflows - Pension	931,271	363,809
Total Liabilities and Deferred Inflows	11,117,996	12,351,484
Net investment in capital assets	6,608,151	6,067,168
Restricted	1,846,352	1,735,195
Unrestricted	5,407,838	5,144,001
Total Net Position	\$ 13,862,341	\$ 12,946,364

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Sterling County's Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 798,221	\$ 845,475
Operating grants & contributions	270,428	820,513
General Revenues		
Property taxes	4,900,442	3,728,051
Investment earnings	41,381	13,062
Other income	80,480	110,450
Transfers	(756,215)	(712,162)
Total Revenues	5,334,737	4,805,389
Expenses		
General government	871,597	786,518
Road and bridge	946,518	1,111,641
County judge	90,082	96,225
County and district clerk	159,965	167,609
Justice of the peace	104,001	110,799
County attorney	91,217	103,104
County treasurer	72,201	74,208
County tax collector	103,829	108,371
County building operations	212,106	326,062
County sheriff	630,596	538,632
County agent	74,780	64,668
Trapper	76,800	76,800
Senior citizens	37,400	37,400
Volunteer fire department	170,733	160,233
EMS	363,493	362,572
Clinic	260,160	373,836
Interest and debt issuance costs	153,282	207,925
Total expenses	4,418,760	4,706,603
Change in Net Position	915,977	98,786
Beginning Net Position	12,946,364	12,847,578
Ending Net Position	\$ 13,862,341	\$ 12,946,364

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
Current assets	\$ 1,006,513	\$ 855,617
Non-current assets	1,949,232	966,624
Total Assets	<u>2,955,745</u>	<u>1,822,241</u>
Deferred Outflows - Pension	214,229	458,999
Total Assets and Deferred Outflows	<u>3,169,974</u>	<u>2,281,240</u>
Current liabilities	274,607	128,174
Total Liabilities	<u>274,607</u>	<u>128,174</u>
Unearned grant revenue		0
Deferred Inflows - Pension	986,630	430,535
Total Liabilities and Deferred Inflows	<u>1,261,237</u>	<u>558,709</u>
Net investment in capital assets	709,522	611,280
Unrestricted	1,199,215	1,196,887
Total Net Position	<u>\$ 1,908,737</u>	<u>\$ 1,808,167</u>
	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,779,226	\$ 1,939,157
Operating grants & contributions	568,784	515,052
General Revenues		
Other revenue	78,429	5,130
Transfers	756,215	712,162
Total Revenues	<u>3,182,654</u>	<u>3,171,501</u>
Expenses		
Nursing home	3,082,084	3,274,798
Total expenses	<u>3,082,084</u>	<u>3,274,798</u>
Change in Net Position	100,570	(103,297)
Beginning Net Position	1,808,167	1,855,769
Adjustment in beginning net position		<u>55,695</u>
Ending Net Position	<u>\$ 1,908,737</u>	<u>\$ 1,808,167</u>

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, Sterling County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, Sterling County's governmental general fund reported an ending fund balance of \$4,981,692 which is generally unassigned and available for spending at the County's discretion. The road and bridge fund reported an ending fund balance of \$1,198,933 which is restricted for road and bridge operations.

Fund Budgetary Highlights

The original budget and adjusted budgets for the general fund reflected a balanced budget. The actual expenditures were \$476,383 less than the final budgeted amounts, and actual revenues were \$274,367 less than was budgeted.

The original and the final amended budgets for the road and bridge fund reflect a balanced budget. The actual expenditures were \$72,404 less than the final budgeted amounts, and actual revenues were \$25,949 less than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Sterling County's investment in capital assets for its governmental activities amounts to \$6,608,151 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$709,522 (net of accumulated depreciation) as of September 30, 2022. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**Sterling County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2022	2021
Land	\$ 6,238	\$ 6,238
Buildings and improvements	694,338	762,697
Infrastructure	2,983,362	3,098,713
Equipment	1,155,778	1,292,549
Vehicles	905,882	1,091,808
Construction in progress	1,419,737	668,306
Total	\$ 7,165,335	\$ 6,920,311

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Sterling County's Capital Assets
(net of depreciation)

	Business-Type Activities	
	2022	2021
Buildings and improvements	\$ 691,864	\$ 573,596
Furniture and equipment	17,658	37,684
Total	\$ 709,522	\$ 611,280

Additional information on Sterling County's capital assets can be found in Note 6 on pages 31 and 32 of this report.

Debt Administration

Sterling County has long term debt in the form of general obligation bonds within the governmental activities of the County. As of September 30, 2022 the outstanding debt in the governmental activities totaled \$10,015,949.

Additional information on Sterling County's long-term debt can be found in Note 7 on page 33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sterling County adopted a 2022 property tax rate effective for its 2023 fiscal year of 0.526747 per \$100 property valuation. This is compared to the 2021 tax rate of .617636 per \$100 property valuation. The 2022 tax rate includes a rate of \$0.390419 for maintenance and operations and \$0.136328 for debt services. The 2021 tax rate includes a rate of \$0.456531 for maintenance and operations and \$0.161105 for debt service.
- The 2023 fiscal year budget was approved by the County in September 2022. The General Fund budgeted revenues for FY 2023 are \$3,942,711 which is comparable to the FY 2022 budgeted revenues of \$4,125,282.

Requests for Information

This financial report is designed to provide a general overview of Sterling County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Sterling County, Box 819, Sterling City, Texas 76951.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current:				
Cash and cash investments	\$ 14,203,111	\$ 719,398	\$ 14,922,509	\$ 117,999
Investments	2,120,000		2,120,000	
Property tax receivable, net	30,741		30,741	
Accounts receivable, net	50,475	115,676	166,151	
Accrued interest receivable	5,187		5,187	
Grant receivable		100,451	100,451	
Other receivables	67,175		67,175	
Prepaid insurance	109,709	70,988	180,697	
Total current assets	<u>16,586,398</u>	<u>1,006,513</u>	<u>17,592,911</u>	<u>117,999</u>
Non-current:				
Capital assets				
Non-depreciable capital assets	1,425,975		1,425,975	
Depreciable capital assets, net	5,739,360	709,522	6,448,882	331,519
Net pension asset	1,047,576	1,239,710	2,287,286	
Total non-current assets	<u>8,212,911</u>	<u>1,949,232</u>	<u>10,162,143</u>	<u>331,519</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	181,028	214,229	395,257	
Total Assets and Deferred Outflows of Resources	<u>24,980,337</u>	<u>3,169,974</u>	<u>28,150,311</u>	<u>449,518</u>
LIABILITIES				
Current:				
Accounts payable	70,153	183,287	253,440	1,251
Accrued payroll expenses		79,548	79,548	
Accrued interest expense	25,313		25,313	
Due to other governmental entities	75,310		75,310	
Due to others		11,772	11,772	
Long term liabilities:				
Due within one year	961,000		961,000	
Due after one year:				
Tax and general obligation bonds	9,054,949		9,054,949	
Total Liabilities	<u>10,186,725</u>	<u>274,607</u>	<u>10,461,332</u>	<u>1,251</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue	97,552		97,552	56,189
Deferred inflows - pension	833,719	986,630	1,820,349	
Total Deferred Inflows of Resources	<u>931,271</u>	<u>986,630</u>	<u>1,917,901</u>	<u>56,189</u>
NET POSITION				
Net investment in capital assets	6,608,151	709,522	7,317,673	331,519
Restricted	1,846,352		1,846,352	
Unrestricted	5,407,838	1,199,215	6,607,053	60,559
Total Net Position	<u>\$ 13,862,341</u>	<u>\$ 1,908,737</u>	<u>\$ 15,771,078</u>	<u>392,078</u>

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

STERLING COUNTY, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 871,597	\$ 56,293	\$ 213,168	\$
Road and bridge	946,518	110,086	32,810	
County judge	90,082	26,385	16,506	
County and district clerk	159,965	34,715	5,012	
Justice of the peace	104,001	419,114		
County attorney	91,217			
County treasurer	72,201			
County tax collector	103,829	15,757		
County building operations	212,106			
County sheriff	630,596	4,962	2,932	
County agent	74,780			
Trapper	76,800			
Senior citizens	37,400			
Volunteer fire department	170,733			
EMS	363,493	91,357		
Clinic	260,160	39,552		
Interest and debt issuance costs	153,282			
Total governmental activities	4,418,760	798,221	270,428	
Business-type activities:				
Nursing home operations	3,082,084	1,779,226	568,784	
Total business-type activities	3,082,084	1,779,226	568,784	
Total Primary Government	\$ 7,500,844	\$ 2,577,447	\$ 839,212	\$
Component Units:				
Fire Department	\$ 74,171	\$	\$ 70,411	\$
Senior Citizens	61,848	6,268	39,843	
Total component units	\$ 136,019	\$ 6,268	\$ 110,254	\$

General revenues:
 Property taxes
 Investment earnings
 Other income
 Transfers
 Total general revenues
 Change in net position

 Net position - beginning

 Net position - ending

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

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
\$ (602,136)		
(803,622)		
(47,191)		
(120,238)		
315,113		
(91,217)		
(72,201)		
(88,072)		
(212,106)		
(622,702)		
(74,780)		
(76,800)		
(37,400)		
(170,733)		
(272,136)		
(220,608)		
(153,282)		
<u>(3,350,111)</u>		
	\$ <u>(734,074)</u>	
	<u>(734,074)</u>	
<u>(3,350,111)</u>	<u>(734,074)</u>	
		\$ (3,760)
		<u>(15,737)</u>
		<u>(19,497)</u>
4,900,442		
41,381	394	15
80,480	78,035	616
<u>(756,215)</u>	<u>756,215</u>	
<u>4,266,088</u>	<u>834,644</u>	<u>631</u>
915,977	100,570	(18,866)
<u>12,946,364</u>	<u>1,808,167</u>	<u>410,944</u>
\$ <u>13,862,341</u>	\$ <u>1,908,737</u>	\$ <u>392,078</u>

STERLING COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>American Rescue Grant Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and cash investments	\$ 3,099,581	\$ 1,196,429	\$ 99,125	\$ 9,458,765
Investments	1,800,000			
Due from agency funds	56,819			
Property tax receivable, net	24,593			
Accounts receivable, net	39,703	10,772		
Grants receivable				
Other receivable	7,153			
Accrued interest receivable	4,869			
Prepaid insurance	109,709	-		
Total Assets	<u>\$ 5,142,427</u>	<u>\$ 1,207,201</u>	<u>\$ 99,125</u>	<u>\$ 9,458,765</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 60,832	\$ 8,268	\$ 1,053	\$
Accrued interest payable				
Due to state	75,310			
Total liabilities	<u>136,142</u>	<u>8,268</u>	<u>1,053</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property tax	24,593			
Deferred revenue - grant funds			97,552	
Total deferred inflows of resources	<u>24,593</u>	<u>-</u>	<u>97,552</u>	<u>-</u>
FUND BALANCE				
Nonspendable for prepaids	109,709	-		
Restricted:				
Special revenue		1,198,933		
Capital projects				9,458,765
Debt service				
Unassigned	4,871,983		520	
Total fund balance	<u>4,981,692</u>	<u>1,198,933</u>	<u>520</u>	<u>9,458,765</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 5,142,427</u>	<u>\$ 1,207,201</u>	<u>\$ 99,125</u>	<u>\$ 9,458,765</u>

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

STERLING COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash investments	\$ 46,231	\$ 302,980	\$ 14,203,111
Investments		320,000	2,120,000
Due from agency funds		3,061	59,880
Property tax receivable, net	6,148		30,741
Accounts receivable, net			50,475
Grants receivable			-
Other receivable	142		7,295
Accrued interest receivable		318	5,187
Prepaid insurance			109,709
Total Assets	<u>\$ 52,521</u>	<u>\$ 626,359</u>	<u>\$ 16,586,398</u>
 LIABILITIES			
Liabilities:			
Accounts payable	\$	\$ -	\$ 70,153
Accrued interest payable	25,313		25,313
Due to state			75,310
Total liabilities	<u>25,313</u>	<u>-</u>	<u>170,776</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	6,148		30,741
Deferred revenue - grant revenue			97,552
Total deferred inflows of resources	<u>6,148</u>	<u>-</u>	<u>128,293</u>
 FUND BALANCE			
Nonspendable for prepaids			109,709
Restricted:			
Special revenue		626,359	1,825,292
Capital projects			9,458,765
Debt service	21,060		21,060
Unassigned		-	4,872,503
Total fund balance	<u>21,060</u>	<u>626,359</u>	<u>16,287,329</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 52,521</u>	 <u>\$ 626,359</u>	 <u>\$ 16,586,398</u>

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

STERLING COUNTY, TEXAS

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

Total fund balances - governmental funds	\$	16,287,329
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet. At the beginning of the year, the cost of these assets was \$11,240,489 and the accumulated depreciation was \$4,320,178.		6,920,311
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.		830,719
Depreciation expense decreases net position, but is not recorded in the fund financial statements.		(585,695)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position.		(10,015,949)
Deferred revenue are recorded in the fund financial statements, but the revenue is recognized in the governmental-wide financial statements.		30,741
Included on the government-wide financial statements is the recognition of the County's proportionate share of the net pension asset of \$1,047,576, and a deferred outflow of resources of \$181,028, and a deferred inflow of \$833,719. The net effect is to increase net position.		<u>394,885</u>
Net position of governmental activities - statement of net position	\$	<u><u>13,862,341</u></u>

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

STERLING COUNTY, TEXAS

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

	General Fund	Road & Bridge Fund	American Rescue Grant Fund	Capital Projects Fund
REVENUES				
Property taxes	\$ 3,066,475	\$ 591,671	\$	\$
Licenses and permits		108,442		
Fees	87,089	1,644		
Fines and forfeitures	411,165			
Clinic revenue	39,552			
Investment earnings	27,712	7,645	520	2,184
Rental revenues	2,400			
Intergovernmental	63,549	32,810	149,619	
EMS revenue	91,357			
Miscellaneous	61,616	18,864		
Total revenues	3,850,915	761,076	150,139	2,184
EXPENDITURES				
Current:				
General government	618,482		70,331	
Road and bridge		714,621		8,900
County judge	94,261			
County and district clerk	166,522			
Justice of the peace	108,412			
County attorney	95,182			
County treasurer	74,962			
County tax collector	107,367			
County building operations	215,788			
County sheriff	593,178			
County agent	61,359			
Trapper	76,800			
Senior citizens	37,400			
Volunteer fire department	50,000			
Clinic	252,177			
EMS	327,454			
Capital outlay			79,288	751,431
Debt service				
Total expenditures	2,879,344	714,621	149,619	760,331
Excess (deficiency) of revenues over expenditures	971,571	46,455	520	(758,147)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt				
Bond issuance cost				
Transfers in (out)	(756,215)			
Total other financing sources (uses)	(756,215)			
Net Change in Fund Balance	215,356	46,455	520	(758,147)
Fund Balance - Beginning	4,766,336	1,152,478		10,216,912
Fund Balance - Ending	\$ 4,981,692	\$ 1,198,933	\$ 520	\$ 9,458,765

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

STERLING COUNTY, TEXAS

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

	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,226,849	\$ 38,047	\$ 4,923,042
Licenses and permits			108,442
Fees		56,572	145,305
Fines and forfeitures			411,165
Clinic revenue			39,552
Investment earnings	448	2,872	41,381
Rental revenues			2,400
Intergovernmental		24,450	270,428
EMS revenue			91,357
Miscellaneous			80,480
Total revenues	1,227,297	121,941	6,113,552
EXPENDITURES			
Current:			
General government		77,148	765,961
Road and bridge			723,521
County judge			94,261
County and district clerk			166,522
Justice of the peace			108,412
County attorney			95,182
County treasurer			74,962
County tax collector			107,367
County building operations			215,788
County sheriff			593,178
County agent			61,359
Trapper			76,800
Senior citizens			37,400
Volunteer fire department			50,000
Clinic			252,177
EMS			327,454
Capital outlay			830,719
Debt service	1,207,388		1,207,388
Total expenditures	1,207,388	77,148	5,788,451
Excess (deficiency) of revenues over expenditures	19,909	44,793	325,101
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt			-
Bond issuance cost			-
Transfers in (out)	-	-	(756,215)
Total other financing sources (uses)	-	-	(756,215)
Net Change in Fund Balance	19,909	44,793	(431,114)
Fund Balance - Beginning	1,151	581,566	16,718,443
Fund Balance - Ending	\$ 21,060	\$ 626,359	\$ 16,287,329

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

STERLING COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balance - governmental funds	\$	(431,114)
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		830,719
<p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$585,695 is to decrease net position.</p>		(585,695)
<p>The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to the change in net position of \$1,054,106.</p>		1,054,106
<p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$22,600. This results in an increase in net position</p>		(22,600)
<p>Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$70,561.</p>		70,561
Net position of governmental activities - statement of net position	\$	915,977

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

STERLING COUNTY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
 SEPTEMBER 30, 2022

	<u>Nursing Home</u>
ASSETS:	
Current Assets:	
Cash and cash investments	\$ 719,398
Accounts receivable, net	115,676
Grant receivable	100,451
Prepaid expense	<u>70,988</u>
Total Current Assets	<u>1,006,513</u>
Noncurrent Assets:	
Depreciable capital assets, net	709,522
Net pension asset	<u>1,239,710</u>
Total Noncurrent Assets	<u>1,949,232</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>214,229</u>
Deferred outflows - pension related	
Total Assets and Deferred Outflows of Resources	<u>3,169,974</u>
LIABILITIES:	
Accounts payable	183,287
Accrued payroll expenses	79,548
Due to others	<u>11,772</u>
Total Liabilities	<u>274,607</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension related	<u>986,630</u>
NET POSITION:	
Net investment in capital assets	709,522
Unrestricted	<u>1,199,215</u>
Total Net Position	<u>\$ 1,908,737</u>

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

STERLING COUNTY, TEXAS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
 YEAR ENDED SEPTEMBER 30, 2022

	<u>Nursing Home</u>
OPERATING REVENUE:	
Resident revenue	\$ 1,778,139
State QIPP Funds, net	222,394
Other operating revenue	78,035
Donations	<u>1,087</u>
Total Operating Revenue	<u>2,079,655</u>
OPERATING EXPENSES:	
Nursing	1,197,021
Medical supplies	53,706
Consultants	27,380
Resident care	264,110
Activities	30,856
Medical records	36,475
Dietary	318,023
Environmental services	140,667
Facility costs	183,340
Depreciation expense	56,921
Administration	419,443
Employee benefits	174,142
Management fee	<u>180,000</u>
Total Operating Expenses	<u>3,082,084</u>
Operating Income	<u>(1,002,429)</u>
NON-OPERATING REVENUE (EXPENSES)	
Grant revenue	346,390
Interest income	394
Transfers in	<u>756,215</u>
Total Non-operating Revenue (Expenses)	<u>1,102,999</u>
CHANGE IN NET POSITION	100,570
NET POSITION - BEGINNING	<u>1,808,167</u>
NET POSITION - ENDING	<u><u>\$ 1,908,737</u></u>

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

STERLING COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2022

	<u>Nursing Home</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from resident services	\$ 1,891,362
Receipts from State QIPP Program	207,579
Payments to employees and related taxes and benefits	(1,824,262)
Payments to consultants and management company	(495,491)
Payments to suppliers	(258,701)
Payments to others	(411,928)
Net cash provided (used) by operating activities	<u>(891,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant funding	346,390
Operating transfers in	756,215
Net cash provided (used) by noncapital financing activities	<u>1,102,605</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(155,163)
Net cash provided (used) by capital and related financing activities	<u>(155,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	394
Net cash provided (used) by investing activities	<u>394</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,395
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>663,003</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 719,398</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,002,429)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	56,921
(Increase) decrease in accounts receivable	31,422
(Increase) decrease in grants receivable	(14,815)
(Increase) decrease in prepaid assets	(25,472)
(Increase) decrease in pension related assets	(83,501)
Increase (decrease) in accounts payable	129,574
Increase (decrease) in accrued payroll	14,180
Increase (Decrease) in due to others	2,679
Net cash used by operating activities	<u>\$ (891,441)</u>

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

STERLING COUNTY, TEXAS

BALANCE SHEET - FIDUCIARY FUNDS

SEPTEMBER 30, 2022

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>2,477,264</u>
Total Assets	\$ <u><u>2,477,264</u></u>
LIABILITIES	
Due to Others	\$ <u>2,477,264</u>
Total Liabilities	\$ <u><u>2,477,264</u></u>

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

STERLING COUNTY, TEXAS

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

	<u>Agency Funds</u>
ADDITIONS	
Deposits	\$ 18,372,729
Total Additions	<u>18,372,729</u>
DEDUCTIONS	
Disbursements	<u>15,976,506</u>
Total Deductions	<u>15,976,506</u>
Change in Net Position	2,396,223
Net Position - beginning of year	<u>81,041</u>
Net Position - end of year	\$ <u><u>2,477,264</u></u>

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 1: REPORTING ENTITY

Primary Government

Sterling County, Texas (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government, road and bridge, County judge, County and District clerk, Justice of the Peace, County attorney, County treasurer, County tax collector, County building operations, nursing home operations, County sheriff, County agent, and trapper.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

Discretely Presented Component Units

The Senior Citizens Center is a non-profit entity which is subsidized by the County with operational funds and is utilizing county owned buildings to conduct services to the County. The Center is governed by a separate board which is not appointed by the County Commissioners but reports monthly to them.

The Sterling Volunteer Fire Department was organized in 1963 and is governed by a nine-person Board of Directors. The Fire Department is subsidized annually by the County. The principal functions of the Fire Department are to save lives and to protect property endangered by fire or other disasters in Sterling County, Texas.

NOTE 2: GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for proprietary and governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

Road & Bridge Fund - The Road & Bridge Fund accounts for financial resources restricted for the purpose of repairing roads and bridges and related expenditures.

Debt Service Fund - The Debt Service Fund is used to collect the property taxes to fund the County's debt payments and the expenditures related to debt service.

American Rescue Grant Fund - The American Rescue Grant Fund is a special revenue fund that is used to track the revenues and expenses from this grant program.

Capital Projects Fund - The Capital Projects Fund is used to spend the proceeds from issued debt to provide improvements to the County roads.

The County reports the following major proprietary fund:

Nursing Home Fund - This fund is used to account for the activities of the County's Nursing Home which is operated in a manner similar to a private business enterprise. The Nursing Home is supported by resident charges, state revenues, and subsidies from the County when needed to cover operational expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 government has elected not to follow subsequent private-sector guidance.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

Budget Policies

The County follows the following procedures in establishing budgetary data reflected in the financial statements:

Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Budgets are adopted for all funds, and budget amendments are approved by the Commissioners' Court. All appropriations lapse at year end.

Property Taxes

Property tax revenues are considered available when collected within the current period. The County levies property taxes prior to September 30 and become due on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2022 was \$.459488 per \$100 valuation.

Allowance for uncollectible tax receivables within the General Fund and Debt Service Fund is based upon 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.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The County capitalizes all capital outlay expenditures over \$5,000.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	50
Furniture and equipment	5-15
Infrastructure	20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will 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 deferred outflows of resources for the differences between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the County has deferred inflows of resources for the differences between expected and actual experience related to the valuation of the County's net pension asset. In the governmental fund financial statements, the County has deferred inflows of resources related to the timing of the receipts from property taxes.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities. The long-term debt of the County includes bonds payable.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers to component units are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Statement of Cash Flows

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates

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

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County had \$109,709 classified as nonspendable at September 30, 2022.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for use only for a specific use. The County had \$1,198,933 restricted for road and bridge repairs, \$9,458,765 restricted for capital improvements, \$626,359 for special revenue projects, and \$21,060 for future debt service requirements at year end.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to management through the budgetary process. The County has no funds classified as assigned at September 30, 2022.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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 asset, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. Investments are reported at fair value.

NOTE 4: DEPOSITS AND INVESTMENTS

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

Cash Deposits

Primary Government - At September 30, 2022, the carrying amount of the County's deposits and certificates of deposit was \$17,042,509. The bank balance at September 30, 2022, was \$17,675,492. The County's cash deposits and certificates of deposit at September 30, 2022, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owed by the entity.

Statutes authorize the County to invest in 1) obligations of the U.S. Treasury or the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The County is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety or principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4: DEPOSITS AND INVESTMENTS – continued

The County’s investments at September 30, 2022 are as follows:

	Cost Basis	Fair Value
Governmental Activities:		
General Fund		
Certificates of Deposit	\$ 1,800,000	\$ 1,800,000
Special Revenue Fund		
Certificates of Deposit	320,000	320,000
Total Investments	\$ 2,120,000	\$ 2,120,000

Analysis of Specific Deposit and Investment Risk

Interest rate risk: In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the weighted average maturity portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the county shall not exceed three years from the time of purchase. The commissioners may specifically authorize a longer maturity for a given investment within legal limits.

Credit risk: State law and County policy limit investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the County had \$2,120,000 in investments.

Concentration of credit risk: The County’s investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk: Custodial credit risk is the risk that deposits are exposed to if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the County’s name. At September 30, 2022, the County was not exposed to custodial credit risk.

NOTE 5: FINANCIAL INSTRUMENTS

The County has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at September 30, 2022, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash, accounts receivables, prepaid expenses, accounts payable, and payroll liabilities.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6: CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,238	\$	\$	\$ 6,238
Construction in progress	668,306	751,431		1,419,737
Total capital assets not being depreciated	674,544	751,431	-	1,425,975
Capital assets being depreciated				
Buildings and improvements	1,697,129			1,697,129
Furniture and equipment	2,873,816	79,288		2,953,104
Vehicles	1,985,117			1,985,117
Infrastructure	4,009,883			4,009,883
Total capital assets being depreciated	10,565,945	79,288	-	10,645,233
Less accumulated depreciation for:				
Buildings and improvements	(934,433)	(68,359)		(1,002,792)
Furniture and equipment	(1,581,265)	(216,059)		(1,797,324)
Vehicles	(893,309)	(185,927)		(1,079,236)
Infrastructure	(911,171)	(115,350)		(1,026,521)
	(4,320,178)	(585,695)	-	(4,905,873)
Governmental activities capital assets, net	\$ 6,920,311	\$ 245,024	\$ -	\$ 7,165,335

Depreciation was charged to the functions as follows:

Road and bridge	\$ 234,166
County agent	13,477
County sheriff	51,001
General government	82,827
Volunteer fire department	120,733
Family clinic	12,401
Elections	22,938
EMS	48,152
Total depreciation expense - governmental activities	\$ 585,695

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6: CAPITAL ASSETS – continued

	Beginning Balance	Additions	Disposals	Ending Balance
Business type activities				
Capital assets being depreciated				
Buildings and improvements	\$ 1,770,308	\$	\$	\$ 1,770,308
Furniture and equipment	280,996	155,163		436,159
Total capital assets being depreciated	2,051,304	155,163	-	2,206,467
Less accumulated depreciation for:				
Buildings and improvements	(1,196,713)	(33,081)		(1,229,794)
Furniture and equipment	(243,311)	(23,840)		(267,151)
	(1,440,024)	(56,921)	-	(1,496,945)
Business-type activities capital assets, net	\$ 611,280	\$ 98,242	\$ -	\$ 709,522
	Beginning Balance	Additions	Disposals	Ending Balance
Discretely Presented Component Units:				
Capital assets being depreciated				
Buildings and improvements	\$ 451,642	\$ 4,000	\$	\$ 455,642
Furniture and equipment	334,869	27,417		362,286
Total capital assets being depreciated	786,511	31,417	-	817,928
Less accumulated depreciation for:				
Buildings and improvements	(215,077)	(13,462)		(228,539)
Furniture and equipment	(230,986)	(26,884)		(257,870)
	(446,063)	(40,346)	-	(486,409)
Discretely Presented Component Units Capital assets, net	\$ 340,448	\$ (8,929)	\$ -	\$ 331,519

Depreciation was charged to the functions as follows:

Sterling County Senior Center	\$ 11,845
Sterling Volunteer Fire Department	28,501
	\$ 40,346

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7: LONG TERM DEBT

A summary of changes in long term debt are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Tax Notes				
Series 2021	\$ 1,250,000	\$	\$ (174,000)	\$ 1,076,000
Certificates of Obligation				
Series 2021	8,715,000		(770,000)	7,945,000
Reoffering premium	1,105,055		(110,106)	994,949
	<u>\$ 11,070,055</u>	<u>\$ -</u>	<u>\$ (1,054,106)</u>	<u>\$ 10,015,949</u>

The county issued Tax Note Series 2021 on May 1, 2021 in the amount of \$1,250,000. The tax note has interest and principal payments due in February and August each year with a maturity date of August 15, 2028. The County also issued General Obligation Bonds of \$8,715,000 with a net reoffering premium of \$1,105,055 on July 12, 2021. The bonds were issued to provide funds for major road improvements within the County. The bonds call for interest and principal payments in February and August each year with a maturity on February 15, 2031.

The annual aggregate maturities for the governmental activities at September 30, 2022 are as follows:

Year Ended September 30	Principal	Interest	Total
2023	\$ 961,000	252,007	1,213,007
2024	977,000	235,274	1,212,274
2025	1,003,000	213,834	1,216,834
2026	1,030,000	187,366	1,217,366
2027	1,056,000	159,775	1,215,775
2028-2031	3,994,000	308,850	4,302,850
	<u>\$ 9,021,000</u>	<u>1,357,106</u>	<u>10,378,106</u>

NOTE 8: RETIREMENT PLAN

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of almost 800 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 TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Sterling County can retire at age 60 and above with eight or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8: RETIREMENT PLAN - continued

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 County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLA’s. Ad hoc post-employment benefit changes, including ad hoc COLA’s, can be granted by the County Commissioners within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2021 consisted of the following:

Inactive employees receiving benefits	48
Inactive employees not yet receiving benefits	194
Active employees	85

Contributions

The County 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 County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the county is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The rate the County contributed for the months of the accounting year in 2021 and 2022 were 7.85% and 10.67% respectively. The deposit rate payable by the employee members for the calendar year 2021 and 2022 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended September 30, 2022 were \$253,916.

Actuarial Assumptions

The total pension asset at December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Straight line amortization over Expected Working Life
Remaining Amortization Period	16.8 Years (based on contribution rate calculated in 12/31/21 valuation)
Inflation Rate	2.50%
Asset Valuation Method	5 year smoothed market
Discount Rate	7.60%
Long-term expected Investment Rate of Return	7.50%, net of investment expenses
Salary increases	4.7% average over career including inflation

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 8: RETIREMENT PLAN - continued

The actuarial assumptions that determined the total pension liability as of December 31, 2021 were based on the results of an actuarial experience study from 2017-2020, except where required to be different by GASB 68.

There were no changes in assumptions or methods reflected in the December 31, 2021 actuarial valuation. There were no changes on benefit terms that affected measurement of the total pension liability during the measurement period. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension asset was 7.60%. This discount rate is the same as the rate that was used in the prior year's calculation.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by .10% to be gross of administrative expenses.

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

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 to December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8: RETIREMENT PLAN – continued

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

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

At September 30, 2022, the County reported a net pension asset of \$2,287,286 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2021. For the year ended September 30, 2022, the County recognized pension expense of \$99,855.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8: RETIREMENT PLAN - continued

Changes in the net pension asset for the measurement year ended December 31, 2021 are as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances At December 31, 2020	\$ 10,789,441	\$ 11,445,055	\$ (655,614)
Changes for the Year:			-
Service cost	504,988		504,988
Interest on total pension liability	832,211		832,211
Effect of plan changes			-
Effect of economic/demographic gains or losses	(33,252)		(33,252)
Effect of assumption changes or inputs	(79,915)		(79,915)
Refund of contributions	(53,868)	(53,868)	-
Benefit payments	(647,539)	(647,539)	-
Administrative expenses		(7,357)	7,357
Member contributions		184,089	(184,089)
Net investment income		2,478,184	(2,478,184)
Employer contributions		206,443	(206,443)
Other		(5,655)	5,655
Balances at December 31, 2021	\$ <u>11,312,066</u>	\$ <u>13,599,352</u>	\$ <u>(2,287,286)</u>

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 12,681,856	11,312,066	10,158,772
Fiduciary Net Position	13,599,352	13,599,352	13,599,352
Net Pension Liability (Asset)	\$ <u>(917,496)</u>	\$ <u>(2,287,286)</u>	\$ <u>(3,440,580)</u>

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8: RETIREMENT PLAN - continued

At September 30, 2022 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 16,626
Changes in actuarial assumptions		39,957
Difference between projected and actual investment earnings	194,595	1,763,766
Contributions subsequent to measurement date	<u>200,662</u>	
Total	\$ <u>395,257</u>	\$ <u>1,820,349</u>

\$200,662 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>		
2022	\$	(394,790)
2023		(532,805)
2024		(374,069)
2025		(324,090)
2026		
Thereafter		
	\$	<u>(1,625,754)</u>

NOTE 9: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 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 years.

REQUIRED SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,057,532	\$ 3,057,532	\$ 3,066,475	\$ 8,943
Fees	82,600	82,600	87,089	4,489
Fines and forfeitures	294,000	294,000	411,165	117,165
Clinic revenue	151,000	151,000	39,552	(111,448)
Investment earnings	25,000	25,000	27,712	2,712
Rental revenues	2,400	2,400	2,400	-
Intergovernmental	218,534	218,534	63,549	(154,985)
EMS revenue	100,000	100,000	91,357	(8,643)
Miscellaneous	194,216	194,216	61,616	(132,600)
Total Revenues	<u>4,125,282</u>	<u>4,125,282</u>	<u>3,850,915</u>	<u>(274,367)</u>
Expenditures				
Current:				
General government	977,500	982,170	618,482	363,688
County judge	101,250	100,826	94,261	6,565
County and district clerk	174,782	174,782	166,522	8,260
Justice of the peace	113,030	113,030	108,412	4,618
County attorney	95,159	95,583	95,182	401
County treasurer	79,494	79,494	74,962	4,532
County tax collector	112,443	113,922	107,367	6,555
County building operations	264,111	257,962	215,788	42,174
County sheriff	504,898	584,714	593,178	(8,464)
County agent	61,706	66,612	61,359	5,253
Trapper	76,800	76,800	76,800	-
Senior citizens	37,400	37,400	37,400	-
Volunteer fire department	50,000	50,000	50,000	-
Clinic	375,072	278,131	252,177	25,954
EMS	322,082	334,301	327,454	6,847
Capital outlay	10,000	10,000	10,000	10,000
Total Expenditures	<u>3,355,727</u>	<u>3,355,727</u>	<u>2,879,344</u>	<u>476,383</u>
Excess (deficiency) of revenues over expenditures	<u>769,555</u>	<u>769,555</u>	<u>971,571</u>	<u>202,016</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(769,555)</u>	<u>(769,555)</u>	<u>(756,215)</u>	<u>13,340</u>
Total other financing sources (uses)	<u>(769,555)</u>	<u>(769,555)</u>	<u>(756,215)</u>	<u>13,340</u>
Net Change in Fund Balance			215,356	215,356
Fund Balance - Beginning	<u>4,766,336</u>	<u>4,766,336</u>	<u>4,766,336</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,766,336</u>	<u>\$ 4,766,336</u>	<u>\$ 4,981,692</u>	<u>\$ 215,356</u>

STERLING COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 588,888	\$ 588,888	\$ 591,671	\$ 2,783
Licenses and permits	116,900	116,900	108,442	(8,458)
Fees	1,100	1,100	1,644	544
Investment earnings	15,000	15,000	7,645	(7,355)
Intergovernmental	38,972	38,972	32,810	(6,162)
Miscellaneous	26,165	26,165	18,864	(7,301)
Total Revenues	<u>787,025</u>	<u>787,025</u>	<u>761,076</u>	<u>(25,949)</u>
Expenditures				
Commissioner's salary	82,320	82,320	82,320	
Road foreman salary	48,801	48,801	48,801	
Landfill salary	4,380	6,004	5,544	460
Cell phone allowance	1,800	1,800	1,675	125
Road salary	85,974	85,974	79,637	6,337
Social security	16,771	16,771	16,588	183
Group hospital insurance	89,000	89,000	79,515	9,485
Retirement	22,262	22,262	21,560	702
Permit and landfill fees	20,000	20,000	15,954	4,046
Fuel and oil	35,000	37,263	41,871	(4,608)
Supplies	2,000	2,506	2,506	
County barn maintenance	5,000	5,000	206	4,794
Telephone	2,600	2,600	2,473	127
Travel expenses	5,000	5,000	1,021	3,979
Utilities	5,000	5,145	5,145	
Machine parts and repairs	55,000	74,896	74,896	
Road materials and repairs	140,000	216,266	171,949	44,317
Lateral road funds	6,880	6,880	10,480	(3,600)
Miscellaneous expense	5,265	4,100	4,061	39
Professional fees	15,000	11,100	5,600	5,500
Grant expenditures	38,972	42,172	41,654	518
Insurance		1,165	1,165	
Capital outlay	100,000			
Total Expenditures	<u>787,025</u>	<u>787,025</u>	<u>714,621</u>	<u>72,404</u>
Excess (deficiency) of revenues over expenditures			<u>46,455</u>	<u>46,455</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)				
Net Change in Fund Balance			46,455	46,455
Fund Balance - Beginning	<u>1,152,478</u>	<u>1,152,478</u>	<u>1,152,478</u>	
Fund Balance - Ending	<u>\$ 1,152,478</u>	<u>\$ 1,152,478</u>	<u>\$ 1,198,933</u>	<u>\$ 46,455</u>

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 355,211	\$ 348,418	\$ 470,366	\$ 416,856
Interest (on the Total Pension Liability)	583,273	623,188	653,432	681,611
Effect of plan Changes	-	(70,584)	-	-
Effect of economic/demographic (gains)	20,568	(89,476)	(306,213)	(201,131)
Change of assumptions	-	103,678	-	45,961
Benefit payments, including refunds	<u>(408,001)</u>	<u>(553,159)</u>	<u>(618,930)</u>	<u>(694,438)</u>
Net Change in Total Pension Liability	<u>551,051</u>	<u>362,065</u>	<u>198,655</u>	<u>248,859</u>
Total Pension Liability - Beginning	<u>7,226,779</u>	<u>7,777,830</u>	<u>8,139,895</u>	<u>8,338,550</u>
Total Pension Liability - Ending (a)	<u>\$ 7,777,830</u>	<u>\$ 8,139,895</u>	<u>\$ 8,338,550</u>	<u>\$ 8,587,409</u>
 Plan Fiduciary Net Position				
Contributions - Employer	192,443	186,747	183,790	203,229
Contributions - Employee	164,281	172,458	179,182	172,228
Net Investment Income	568,189	(140,407)	633,338	1,290,932
Benefit payments, including refunds	(408,001)	(553,159)	(618,930)	(694,438)
Administrative Expense	(6,635)	(6,257)	(6,877)	(6,544)
Other	<u>(48,015)</u>	<u>49,291</u>	<u>(40,041)</u>	<u>(4,347)</u>
Net Change in Plan Fiduciary Net Position	<u>462,262</u>	<u>(291,327)</u>	<u>330,462</u>	<u>961,060</u>
Plan Fiduciary Net Position - Beginning	<u>8,377,866</u>	<u>8,840,128</u>	<u>8,548,802</u>	<u>8,879,264</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,840,128</u>	<u>\$ 8,548,801</u>	<u>\$ 8,879,264</u>	<u>\$ 9,840,324</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (1,062,298)</u>	<u>\$ (408,906)</u>	<u>\$ (540,714)</u>	<u>\$ (1,252,915)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.66%	105.02%	106.48%	114.59%
 Covered Employee Payroll	\$ 2,346,870	\$ 2,463,681	\$ 2,559,748	\$ 2,460,401
 Net Pension Liability as a Percentage of Covered Employee Payroll	-45.26%	-16.60%	-21.12%	-50.92%

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Pension Liability				
Service cost	\$ 408,170	\$ 457,483	\$ 452,606	\$ 504,988
Interest (on the Total Pension Liability)	703,994	746,009	789,137	832,211
Effect of plan changes	-	-	-	-
Effect of economic/demographic (gains)	(14,093)	(3,762)	44,434	(79,915)
Change of assumptions	-	-	564,534	(33,252)
Benefit payments, including refunds	<u>(620,663)</u>	<u>(637,031)</u>	<u>(688,787)</u>	<u>(701,407)</u>
Net Change in Total Pension Liability	477,408	562,699	1,161,924	522,625
Total Pension Liability - Beginning	<u>8,587,409</u>	<u>9,064,817</u>	<u>9,627,517</u>	<u>10,789,441</u>
Total Pension Liability - Ending (a)	<u>\$ 9,064,817</u>	<u>\$ 9,627,516</u>	<u>\$ 10,789,441</u>	<u>\$ 11,312,066</u>
 Plan Fiduciary Net Position				
Contributions - Employer	200,824	188,593	202,796	206,443
Contributions - Employee	179,079	183,609	183,170	184,089
Net Investment Income	(186,012)	1,543,906	1,100,960	2,478,184
Benefit payments, including refunds	(620,663)	(637,031)	(688,787)	(701,407)
Administrative Expense	(7,550)	(8,126)	(8,375)	(7,357)
Other	<u>(6,186)</u>	<u>(7,582)</u>	<u>(7,895)</u>	<u>(5,655)</u>
Net Change in Plan Fiduciary Net Position	(440,508)	1,263,369	781,869	2,154,297
Plan Fiduciary Net Position - Beginning	<u>9,840,324</u>	<u>9,399,817</u>	<u>10,663,186</u>	<u>11,445,055</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,399,816</u>	<u>\$ 10,663,186</u>	<u>\$ 11,445,055</u>	<u>\$ 13,599,352</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (334,999)</u>	<u>\$ (1,035,670)</u>	<u>\$ (655,614)</u>	<u>\$ (2,287,286)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.70%	110.76%	106.08%	120.22%
 Covered Employee Payroll	\$ 2,558,266	\$ 2,622,990	\$ 2,616,713	\$ 2,629,849
 Net Pension Liability as a Percentage of Covered Employee Payroll	-13.09%	-39.48%	-25.05%	-86.97%

STERLING COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2022

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2012	162,293	182,969	(20,676)	1,829,690	10.0%
2013	165,898	171,022	(5,124)	1,998,768	8.6%
2014	192,443	192,443	-	2,346,870	8.2%
2015	186,747	186,747	-	2,463,681	7.6%
2016	183,790	183,790	-	2,559,748	7.2%
2017	203,229	203,229	-	2,460,401	8.3%
2018	200,824	200,824	-	2,558,266	7.9%
2019	188,593	188,593	-	2,622,990	7.2%
2020	202,796	202,796	-	2,616,713	7.8%
2021	206,443	206,443	-	2,629,849	7.8%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level of percentage of payroll, closed
Remaining Amortization Period	16.8 years (based on contribution rate calculated at 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality, and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule	2015, 2016, 2018, 2019, 2020, 2021: No changes in plan provisions were reflected 2017: New Annuity purchase Rates were reflected for benefits earned after 2017

OTHER SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Jury Fund	Records Management	Courthouse Security	Technology Fund
ASSETS				
Cash and cash investments	\$ 133,026	\$ 35,585	\$ 68,377	\$ 17,336
Investments	300,000		20,000	
Due from agency funds	196	385	1,182	937
Accrued interest receivable	255		63	
Total Assets	\$ <u>433,477</u>	\$ <u>35,970</u>	\$ <u>89,622</u>	\$ <u>18,273</u>
 LIABILITIES				
Accounts Payable	\$ _____	\$ _____	\$ _____	\$ _____
 DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	_____	_____	_____	_____
 Total Liabilities and deferred inflows of resources	_____	_____	_____	_____
 FUND BALANCE				
Restricted	433,477	35,970	89,622	18,273
Unassigned	_____	_____	_____	_____
Total Fund Balance	433,477	35,970	89,622	18,273
Total Liabilities and Fund Balance	\$ <u>433,477</u>	\$ <u>35,970</u>	\$ <u>89,622</u>	\$ <u>18,273</u>

STERLING COUNTY, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash investments	\$ 5,691	\$ 2,709	\$ 6,165	\$ 34,091	\$ 302,980
Investments					320,000
Due from agency funds	21	10		330	3,061
Accrued interest receivable					318
Total Assets	\$ 5,712	\$ 2,719	\$ 6,165	\$ 34,421	\$ 626,359
LIABILITIES					
Accounts Payable	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	_____	_____	_____	_____	_____
Total Liabilities and deferred inflows of resources	_____	_____	_____	_____	_____
FUND BALANCE					
Restricted	5,712	2,719	6,165	34,421	626,359
Unassigned	_____	_____	_____	_____	_____
Total Fund Balance	5,712	2,719	6,165	34,421	626,359
Total Liabilities and Fund Balance	\$ 5,712	\$ 2,719	\$ 6,165	\$ 34,421	\$ 626,359

STERLING COUNTY, TEXAS

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

	Jury Fund	Records Management	Courthouse Security	Technology Fund
REVENUES:				
Property taxes	\$ 38,047	\$	\$	\$
Fees	7,484	1,534	17,053	21,141
Intergovernmental	16,506	5,012		
Investment earnings	1,916	191	449	87
	63,953	6,737	17,502	21,228
EXPENDITURES:				
Current:				
Salaries and benefits	3,240			
Other operating	56,070	3,500	11,518	
Capital Outlay				
	59,310	3,500	11,518	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	4,643	3,237	5,984	21,228
OTHER FINANCING SOURCES:				
Transfers from other funds	-			
Total Other Financing Sources	-	-	-	-
NET CHANGE IN FUND BALANCE	4,643	3,237	5,984	21,228
FUND BALANCE - BEGINNING	428,834	32,733	83,638	(2,955)
FUND BALANCE - ENDING	\$ 433,477	\$ 35,970	\$ 89,622	\$ 18,273

STERLING COUNTY, TEXAS

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

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
REVENUES:					
Property taxes	\$	\$	\$	\$	\$ 38,047
Fees	345	33	3,722	5,260	56,572
Intergovernmental			2,932		24,450
Investment earnings	31	15		183	2,872
	376	48	6,654	5,443	121,941
EXPENDITURES:					
Current:					
Salaries and benefits					3,240
Other operating			2,820		73,908
Capital Outlay					-
	-	-	2,820	-	77,148
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	376	48	3,834	5,443	44,793
OTHER FINANCING SOURCES:					
Transfers from other funds					-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	376	48	3,834	5,443	44,793
FUND BALANCE - BEGINNING	5,336	2,671	2,331	28,978	581,566
FUND BALANCE - ENDING	\$ <u>5,712</u>	\$ <u>2,719</u>	\$ <u>6,165</u>	\$ <u>34,421</u>	\$ <u>626,359</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2022

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
ASSETS			
Current:			
Cash and investments	\$ 102,591	\$ 15,408	\$ 117,999
Total current assets	<u>102,591</u>	<u>15,408</u>	<u>117,999</u>
Noncurrent assets:			
Property and equipment, net	120,481	211,038	331,519
Total noncurrent assets	<u>120,481</u>	<u>211,038</u>	<u>331,519</u>
TOTAL ASSETS	<u>223,072</u>	<u>226,446</u>	<u>449,518</u>
LIABILITIES			
Accounts Payable	1,251		1,251
Total Liabilities	<u>1,251</u>		<u>1,251</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned grant revenue	56,189		56,189
NET POSITION			
Net investment in capital assets	120,481	211,038	331,519
Unrestricted	<u>45,151</u>	<u>15,408</u>	<u>60,559</u>
TOTAL NET POSITION	<u>\$ 165,632</u>	<u>\$ 226,446</u>	<u>\$ 392,078</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Sterling Volunteer Fire Department	Sterling County Senior Citizens	Total Component Units
REVENUES:			
Fees and charges for services	\$	\$ 6,268	\$ 6,268
Donations	9,250	1,843	11,093
Intergovernmental	61,161	38,000	99,161
Investment earnings	15		15
Miscellaneous	616		616
	71,042	46,111	117,153
Total Revenues			
EXPENDITURES:			
Current:			
Salaries and benefits		19,998	19,998
Occupancy costs	6,890	8,425	15,315
Repairs and supplies	32,352	11,786	44,138
Depreciation	28,500	11,845	40,345
Other operating	6,429	9,794	16,223
	74,171	61,848	136,019
Total Expenditures			
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,129)	(15,737)	(18,866)
NET POSITION - BEGINNING OF YEAR	168,761	242,183	410,944
NET POSITION - END OF YEAR	\$ 165,632	\$ 226,446	\$ 392,078