ORANGE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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ORANGE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Commissioners' Court of Orange County
Orange, Texas

Report on the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2023, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2023, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Waco, Texas
July 17, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Orange County (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended September 30, 2023. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The County's total net position increased during the year by $18,783,802 due to current operations.
- The County's unrestricted net position is a deficit of $53,042,918.
- The County's governmental funds total fund balances were $31,094,707.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The 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 required supplementary information and supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred in regard to interfund activity, payables and receivables.

The statement of net position presents information of all of the County's assets and deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between them reported as net position (deficit). Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent year using full accrual basis of accounting. 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 result in cash flows in future periods (e.g., uncollected taxes, earned but unused vacation, and receivables).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, legal, public works, social services, public safety, and interest and fees on debt.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 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 revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains eight individual governmental funds, excluding fiduciary funds. There are three types of governmental funds presented: special revenue funds, a debt service fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Fund, and the American Rescue Fund, which are classified as major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found in the table of contents of this report.

The County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with these budgets as noted in the table of contents.

Fiduciary Funds. Fiduciary funds are used to account for resources held by the County in a trustee capacity or as an agent for other governmental units. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements can be found in the table of contents of this report.

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 in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, as noted in the table of contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as useful indicators of the County's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $9,672,193 at the close of the current year.

ORANGE COUNTY NET POSITION

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 52,886,971	58%	$ 51,281,507	57%	$ 1,605,464	221%
Capital assets	38,002,409	42%	38,881,987	43%	(879,578)	-121%
Total assets	90,889,380	100%	90,163,494	100%	725,886	100%
Deferred outflows - pensions	6,847,675	72%	6,515,986	49%	331,689	-9%
Deferred outflows - OPEB	2,609,222	28%	6,686,132	51%	(4,076,910)	109%
Total deferred outflows of resources	9,456,897	100%	13,202,118	100%	(3,745,221)	100%
Other liabilities	16,266,475	19%	18,476,126	24%	(2,209,651)	-28%
Long-term liabilities	68,494,521	81%	58,475,120	76%	10,019,401	128%
Total liabilities	84,760,996	100%	76,951,246	100%	7,809,750	100%
Deferred inflows - pensions	1,192,945	5%	21,152,303	39%	(19,959,358)	67%
Deferred inflows - OPEB	24,064,529	95%	33,718,058	61%	(9,653,529)	33%
Total deferred inflows of resources	25,257,474	100%	54,870,361	100%	(29,612,887)	100%
Net position:						
Net investment in capital assets	33,776,701	-349%	34,507,476	-121%	(730,775)	-4%
Restricted	9,594,024	-99%	7,295,633	-26%	2,298,391	12%
Unrestricted	(53,042,918)	548%	(70,259,104)	247%	17,216,186	92%
Total net position	$ (9,672,193)	100%	$ (28,455,995)	100%	$ 18,783,802	100%

The County’s total assets of $90,889,380 are largely comprised of capital assets, net of accumulated depreciation of $38,002,409, or 42%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations.

Long-term liabilities of $68,494,521 comprise the largest portion of the County’s total liabilities of $84,760,996 at 81%. Of total long-term liabilities, $3,176,298 are due within one year, with the remainder $65,318,223 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to financial statements.

Approximately -349% of total net position or $33,776,701 represents net investment in capital assets and approximately -99% of total net position or $9,594,024 represents resources that are subject to restrictions on how they are to be used. The amount of $53,042,918, 548% of unrestricted net position (deficit), is primarily attributed to the implementation of GASB 75.

CHANGES IN NET POSITION

The County's net position increased by $18,783,802 from current year activity. The elements giving rise to this change may be determined from the table below.

ORANGE COUNTY CHANGES IN NET POSITION

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
REVENUES						
Program revenues:						
Charges for services	$ 8,178,401	11%	$ 7,641,255	11%	$ 537,146	1%
Operating grants and contributions	11,616,337	16%	19,462,561	27%	(7,846,224)	-11%
General revenues:						
Property taxes	37,588,401	52%	34,215,778	48%	3,372,623	5%
Sales and use taxes	8,668,479	12%	7,736,777	11%	931,702	1%
Other taxes	651,205	1%	633,454	1%	17,751	0%
Investment income	1,867,603	3%	221,426	0%	1,646,177	2%
Gain on sale of capital assets	1,287,692	2%	-	0%	1,287,692	2%
Miscellaneous	1,938,153	3%	2,109,173	3%	(171,020)	0%
Total revenues	71,796,271	100%	72,020,424	100%	(224,153)	0%
EXPENSES						
General government	17,835,390	34%	18,084,337	37%	(248,947)	-1%
Legal	6,708,285	13%	5,891,547	12%	816,738	2%
Public works	8,500,459	16%	8,537,296	17%	(36,837)	0%
Social services	3,501,985	7%	2,880,180	6%	621,805	1%
Public safety	16,382,508	31%	13,335,527	27%	3,046,981	6%
Interest and fiscal charges	83,842	0%	92,119	0%	(8,277)	0%
Total expenses	53,012,469	100%	48,821,006	100%	4,191,463	9%
INCREASE (DECREASE) IN NET POSITION	18,783,802		23,199,418		(4,415,616)	
NET POSITION, BEGINNING	(28,455,995)		(51,655,413)		23,199,418	
NET POSITION, ENDING	$ (9,672,193)		$ (28,455,995)		$ 18,783,802	

Governmental Activities. The County's total revenues were $71,796,271 from all governmental activities. A significant portion, $46,908,085 or 65%, of the County's revenue comes from taxes. Operating grants and contributions revenue accounts for $11,616,337, or 16%, of total revenue for governmental activities. The increase in governmental activities revenues is attributed to the increase in property tax values as well as a $1.6 million increase in investment income due to increased interest rates in FY23.

The total cost of all governmental programs and services was $53,012,469. The general government function accounted for $17,835,390, or 34% of this total. The public safety function accounted for $16,382,508, or 31% of total expenditures. The public works accounted for $8,500,459, or 16% of total expenditures. The legal function accounted for $6,708,285, or 13% of total expenditures. The increase in governmental activities expenses can be attributed to an increase in grant-related expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's fiscal management and accountability.

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

Governmental Funds. As of the end of the current year, the County's governmental funds reported combined ending fund balances of $31,094,707, an increase of $12,744,181.

The General Fund is the County's operating fund. At the end of the current fiscal year, nonspendable fund balance was $757,655. Restricted fund balance was $8,553,045, and total fund balance was $30,325,353. Unassigned total fund balance represents 46% of total General Fund expenditures. The fund balance of the County's General Fund increased by $11,624,757 during the current fiscal year from current operations. For the most part, the increase in fund balance was the result of increased grant revenues related to Hurricane Harvey.

The Road and Bridge Fund ending fund balance was $597,812, all of which is restricted. The Road and Bridge Fund fund balance increased $1,074,883 during the year, was more than the budgeted decrease and primarily due to decreases in capital improvements and greater than expected fees of office.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between original budget, final amended budget and actual reviews and expenditures are briefly summarized as follows:

- Actual revenues for 2023 were $6,093,645 less than the final amended budget due to timing of grant reimbursements and revenue recognition.
- Actual expenditures for 2023 were $24,534,377 less than the final amended budget.
- Significant differences between original and final budget are due to amendments to revenues and expenditures for disaster recovery that were not all realized in the current year.

This resulted in a net increase in the General Fund fund balance for the year of $20,632,818 compared to budgeted projections.

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2023, for its governmental activities amounts to $38,002,409 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, software, right to use assets, and infrastructure.

ORANGE COUNTY'S CAPITAL ASSETS

	Capital Assets					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	$ 1,725,273	5%	$ 1,725,273	4%	$ -	0%
CIP	1,526,672	4%	1,167,779	3%	358,893	1%
Buildings and improvements	38,804,985	102%	38,829,674	100%	(24,689)	0%
Furniture, fixtures, and equipment	21,548,639	57%	19,981,836	51%	1,566,803	4%
Software	928,420	2%	928,420	2%	-	0%
Infrastructure	27,286,354	72%	27,286,354	70%	-	0%
Right to use assets	556,238	1%	676,211	2%	(119,973)	0%
SBITAs	645,396	2%	-	0%	645,396	2%
Less: accumulated depreciation	(55,019,568)	-145%	(51,713,560)	-133%	(3,306,008)	-9%
Total capital assets, net of accumulated depreciation	$ 38,002,409	100%	$ 38,881,987	100%	$ (879,578)	-2%

Significant capital asset additions included the construction in progress due to the CDBG grant for the year ended September 30, 2023. The County also implemented GASB 96, *SBITAs* which required the reporting of right to use assets related to subscriptions. Additional information regarding the County's capital assets can be found in the notes to financial statements.

LONG-TERM DEBT

At the end of the current year, the County had total long-term debt outstanding of $5,799,656 for governmental activities. The County's long-term debt is comprised as follows:

ORANGE COUNTY'S OUTSTANDING DEBT

	Long-Term Liabilities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Contractual obligations	$ 3,514,733	61%	$ 3,857,327	67%	$ (342,594)	-1974%
Compensated absences	1,573,948	27%	1,420,385	25%	153,563	885%
SBITAs payable	257,193	4%	-	0%	257,193	1482%
Leases payable	453,782	8%	504,590	9%	(50,808)	-293%
Total outstanding debt	$ 5,799,656	100%	$ 5,782,302	100%	$ 17,354	100%

Additional information regarding the County's long-term debt can be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The total tax rate will be $.5220 per $100 valuation in fiscal year 2023-2024.
- The unemployment rate for Orange County as of 2022, according to Texas Workforce statistics, is 5.7%, a decrease of 3.1% from last year's rate of 8.8%. The state unemployment rate, as recorded by the Bureau of Labor Statistics, is 4.1%.
- The state sales tax receipts for the current fiscal year totaled $7,941,746, an increase of $895,089 or 12.7% from the previous year indicating a stable retail economy.
- Orange County is experiencing increased growth in the past year due to construction of over $10 billion in improved property values. The revenue gains will be considered in this budget.

All of these factors were considered in preparing Orange County's budget for the 2024 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Orange County's finances for all 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 Auditor's office, 123 South Sixth Street, Orange, Texas 77630.

BASIC
FINANCIAL STATEMENTS

ORANGE COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 6,421,669
Investments	37,724,139
Receivables, net of allowance	
Property taxes	2,011,785
Sales tax	1,388,749
Fines	386,624
Other	512
Due from other governments	4,195,838
Prepaid expenditures	757,655
Capital assets:	
Land	1,725,273
CIP	1,526,672
Buildings and improvements	38,804,985
Furniture, fixtures and equipment	21,548,639
Software	928,420
Infrastructure	27,286,354
Right to use assets	556,238
Right to use subscriptions	645,396
Less: accumulated depreciation	(55,019,568)
Total capital assets	38,002,409
Total assets	90,889,380
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	6,847,675
Deferred outflows - OPEB	2,609,222
Total deferred outflows of resources	9,456,897
LIABILITIES	
Accounts payable	1,019,985
Accrued liabilities	1,288,830
Accrued interest	6,168
Due to other governments	152,483
Due to beneficiaries	540,462
Unearned revenue	13,258,547
Noncurrent liabilities:	
Due within one year	
Long-term debt	813,698
Total OPEB liability	2,362,600
Due in more than one year	
Long-term debt	4,985,958
Net pension liability	8,939,130
Total OPEB liability	51,393,135
Total liabilities	84,760,996
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	1,192,945
Deferred inflows - OPEB	24,064,529
Total deferred inflows of resources	25,257,474
NET POSITION	
Net investment in capital assets	33,776,701
Restricted	9,594,024
Unrestricted	(53,042,918)
Total net position	$ (9,672,193)

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

ORANGE COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses for Services	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Primary Government Net Position: Governmental Activities
Primary government				
Governmental activities:				
General government	$ 17,835,390	$ 1,744,794	$ 1,700,603	$ (14,389,993)
Legal	6,708,285	502,671	515,170	(5,690,444)
Public works	8,500,459	1,936,314	4,359,612	(2,204,533)
Social services	3,501,985	-	204,639	(3,297,346)
Public safety	16,382,508	3,994,622	4,836,313	(7,551,573)
Interest and fiscal charges	83,842	-	-	(83,842)
Total governmental activities	53,012,469	8,178,401	11,616,337	(33,217,731)
Total primary government	$ 53,012,469	$ 8,178,401	$ 11,616,337	(33,217,731)
General revenues				
Taxes:				
Property taxes levied for general purposes				37,235,744
Property taxes, levied for debt service				352,657
Sales				8,668,479
Other				651,205
Investment income				1,867,603
Miscellaneous				1,938,153
Gain on sale of capital assets				1,287,692
Total general revenues and special item				52,001,533
Change in net position				18,783,802
Net position, beginning				(28,455,995)
Net position, ending				$ (9,672,193)

ORANGE COUNTY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General	Road and Bridge	American Rescue Plan
ASSETS			
Cash and cash equivalents	$ 5,196,668	$ 738,063	$ 313,027
Investments	25,639,257	-	12,084,882
Receivables (net of allowance for uncollectibles)			
Property taxes	1,746,397	173,837	-
Sales tax	1,388,749	-	-
Fines	386,624	-	-
Other	512	-	-
Due from other funds	26,943	-	-
Due from other governments	4,112,602	-	-
Prepaid expenditures	757,655	-	-
Total assets	39,255,407	911,900	12,397,909
LIABILITIES			
Accounts payable	822,444	22,490	159,819
Accrued liabilities	1,088,512	132,322	3,527
Due to other funds	-	-	16,238
Due to other governments	152,483	-	-
Due to beneficiaries	540,462	-	-
Unearned revenues	1,040,222	-	12,218,325
Total liabilities	3,644,123	154,812	12,397,909
DEFERRED INFLOWS OF RESOURCES			
Unavailable - property taxes	1,657,062	159,276	-
Unavailable - grants	3,242,245	-	-
Unavailable - court fines and fees	386,624	-	-
Total deferred inflows of resources	5,285,931	159,276	-
FUND BALANCES			
Nonspendable	757,655	-	-
Restricted	8,553,045	597,812	-
Assigned for:			
Subsequent year's budget	56,269	-	-
Unassigned	20,958,384	-	-
Total fund balances	30,325,353	597,812	-
Total liabilities, deferred inflows and fund balance	$ 39,255,407	$ 911,900	$ 12,397,909

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

Other Governmental Funds	Total Governmental Funds
$ 173,911	$ 6,421,669
-	37,724,139
91,551	2,011,785
-	1,388,749
-	386,624
-	512
-	26,943
83,236	4,195,838
-	757,655
348,698	52,913,914
15,232	1,019,985
64,469	1,288,830
10,705	26,943
-	152,483
-	540,462
-	13,258,547
90,406	16,287,250
86,750	1,903,088
-	3,242,245
-	386,624
86,750	5,531,957
-	757,655
197,141	9,347,998
-	56,269
(25,599)	20,932,785
171,542	31,094,707
$ 348,698	$ 52,913,914

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ORANGE COUNTY, TEXAS

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

SEPTEMBER 30, 2023

Total fund balance - governmental funds	$ 31,094,707
Amounts reported for governmental activites 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 the funds.	37,615,172
Some of the County's assets are not available to pay for current period expenditures and, therefore, are deferred as unavailable revenue in the funds.	5,531,957
The net pension asset and total other post employment benefits liability reported in the governmental activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(78,495,442)
Long-term liabilities, including notes payable and compensated absences, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(5,418,587)
Net position of governmental activities	$ (9,672,193)

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

ORANGE COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Road and Bridge	American Rescue Plan
REVENUES			
Property taxes	$ 31,034,258	$ 4,929,605	$ -
Sales taxes	8,668,479	-	-
Miscellaneous taxes	401,285	-	-
Payments in lieu of taxes	249,920	-	-
Intergovernmental	6,590,740	226,134	2,286,245
Fees of office	6,488,279	1,740,700	-
Fines and forfeitures	58,462	-	-
Interest	1,319,698	-	547,103
Miscellaneous	1,689,874	194,674	-
Total revenues	56,500,995	7,091,113	2,833,348
EXPENDITURES			
Current:			
General government	18,066,602	-	-
Legal	7,329,331	-	-
Public works	2,253,706	5,272,895	-
Social services	2,560,096	-	-
Public safety	15,077,906	-	2,286,245
Capital outlay	600,504	1,534,471	-
Debt service:			
Principal	148,537	-	-
Interest	16,253	-	-
Total expenditures	46,052,935	6,807,366	2,286,245
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,448,060	283,747	547,103
OTHER FINANCING SOURCES (USES)			
Transfers in	547,103	791,136	-
Transfers out	(1,001,886)	-	(547,103)
Sale of capital assets	1,374,419	-	-
Insurance recoveries	257,061	-	-
Total other financing sources (uses)	1,176,697	791,136	(547,103)
NET CHANGE IN FUND BALANCES	11,624,757	1,074,883	-
FUND BALANCES, BEGINNING	18,700,596	(477,071)	-
FUND BALANCES, ENDING	$ 30,325,353	$ 597,812	$ -

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

Other Governmental Funds	Total Governmental Funds
$ 1,624,456	$ 37,588,319
-	8,668,479
-	401,285
-	249,920
667,115	9,770,234
-	8,228,979
-	58,462
802	1,867,603
53,605	1,938,153
2,345,978	68,771,434
430,078	18,496,680
-	7,329,331
-	7,526,601
1,111,408	3,671,504
437,862	17,802,013
90,776	2,225,751
361,349	509,886
80,714	96,967
2,512,187	57,658,733
(166,209)	11,112,701
231,147	1,569,386
(20,397)	(1,569,386)
-	1,374,419
-	257,061
210,750	1,631,480
44,541	12,744,181
127,001	18,350,526
$ 171,542	$ 31,094,707

ORANGE COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balance - governmental funds	$ 12,744,181
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,265,849)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,737,145
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	509,886
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	5,058,439
Change in net position of governmental activities	$ 18,783,802

ORANGE COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and investments	$ 1,722,496	$ 1,969,383
Total assets	1,722,496	1,969,383
LIABILITIES		
Due to others	-	672,744
Total liabilities	$ -	$ 672,744
NET POSITION		
Restricted for individuals, organizations, and other governments	$ 1,722,496	$ 1,296,639
Total net position	$ 1,722,496	$ 1,296,639

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

ORANGE COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Collections from judgements	$ 1,456,948	$ 2,471,828
Taxes and fees collected on behalf of other governments	-	175,337,356
Total additions	1,456,948	177,809,184
DEDUCTIONS		
Disbursements to beneficiaries	1,287,095	3,260,985
Taxes and fees disbursed to other governments	-	175,946,419
Total deductions	1,287,095	179,207,404
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	169,853	(1,398,220)
NET POSITION, BEGINNING	1,552,643	2,694,859
NET POSITION, ENDING	$ 1,722,496	$ 1,296,639

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Orange, Texas (the County) was incorporated in 1852 and is an incorporated body of the State of Texas. The County is located in the southeastern most area of the state, with its eastern border the state line between Texas and Louisiana and its southern boundary the Gulf of Mexico. The Commissioners' Court, consisting of four County Commissioners and the County Judge, as elected, is the policy making body of the County.

The financial statements of the County are prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The County is an independent political subdivision of the State of Texas governed by an elected four-member Commissioners' Court and County Judge and is considered a primary government. As required by GAAP, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the County's financial reporting entity. Based on these considerations, no other entities have been included in the County's financial statements. Additionally, as the County is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity is based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-wide and Fund Financial Statements

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

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an "assets plus deferred outflows minus liabilities minus deferred inflows equal net position" format with net position reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity.

The government-wide statement of activities identifies the relative financial burden of each of the County's functions (general government, legal, public works, social services, public safety and interest and fees on debt) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general revenues. Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and miscellaneous revenue are not included as program revenues but are instead reported as general revenues.

Separate fund level financial statements are presented for governmental funds, with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County's programs. Major individual governmental funds are reported as separate columns in the fund financial statements, with nonmajor funds aggregated and displayed in a single column.

The County reports fiduciary funds under the accrual basis of accounting and the economic resources measurement focus. A statement of fiduciary net position and statement of changes in fiduciary net position are presented within the basic financial statements.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 120 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, grants, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. 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 County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Road and Bridge – The Road and Bridge Fund accounts for the operation, repair and maintenance of County highways and lateral roads and bridges.

American Rescue Plan Fund – The American Rescue Plan Fund accounts for the activity related to specific pandemic-related grant programs.

Additionally, the County reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Fund - The Debt Service Fund is used to account for accumulation of resources for and the payment of long-term debt principal and interest.

Additionally, the County reports the following fiduciary fund types:

Private-Purpose Trust Funds **–** These funds are used to account for all trust agreements under which the principal and income benefit a specific individual or entity.

Custodial Funds **–** These funds are used to account for assets that the County holds for others in a custodial capacity. These resources include funds for individuals in accordance with court decrees by the County or District Clerk, District Attorney, Justices of the Peace, Sheriff's Office, Tax Office, and the Juvenile Probation Office within the County, and the State of Texas.

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

D. Cash and Cash Equivalents

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

E. Investments

Investments for the County are reported at fair value, except for certain external investment pools. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). As of September 30, 2023, the County had no amounts considered "advances".

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

The County's property taxes are levied annually on October 1 on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraisal values are established by the Appraisal District at market value and assessed at 100% of appraised value less exemptions. The County's property taxes are billed and collected by the Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent by January 31 of the subsequent calendar year, with an enforceable tax lien attaching to real property July 1 of the subsequent calendar year.

Property taxes are prorated between the General Fund, Road and Bridge Fund, Mosquito Control Fund and Debt Service Fund based on rates adopted for the year of the levy. All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

G. Inventories

Inventories are recorded as expenditures / expenses when purchased rather than when consumed.

H. Capital Assets

Capital assets, which includes land, construction in progress, buildings and improvements, furniture fixtures and equipment, software, and infrastructure (e.g. roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value. Capital assets are defined by the County with an initial individual cost that equals or exceeds $5,000 with a useful life greater than one year.

The reported value excludes normal repairs and maintenance, which are amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

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

Capital Asset Class	Useful Life in Years
Buildings	7-50
Improvements	7-50
Furniture, fixtures, and equipment	3-20
Software	10
Infrastructure	35-50
Right to use - equipment	2-40
Right to use - subscriptions	3-5

Land and construction in progress are not depreciated.

I. Deferred Outflows/Inflows of Resources

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

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.

- Changes in pension and OPEB actuarial assumptions – this amount is amortized over a period equal to the average remaining service life of all active employees at the time of the deferral.

- Difference in actuarial experience on pension liabilities – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

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

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from three sources: property taxes, court fines and fees, and grants.

- Difference in actuarial experience on pension and OPEB liabilities – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions for pension and OPEB.

J. Compensated Absences

The County's employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation and sick leave pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation Leave

Unused vacation leave entitlement will be paid to employees upon termination of employment provided the employee has completed at least six months of continuous service, unless termination is the result of disciplinary action taken against the employee. Vacation leave is earned at 5 to 30 days per year, with a maximum accrual of 5 to 30 days, based on longevity.

Sick Leave

Unused sick leave entitlement will be paid to employees upon termination of employment provided the employee has completed at least two years of continuous service, unless termination is the result of disciplinary action taken against the employee. Sick leave accrues at 3.69 hours per pay period or 12 days per year, up to a maximum paid benefit for entitlement of 60 days, dependent upon hire date.

K. Long-term Liabilities

The County's long-term debt consists of contractual obligations, compensated absences, net pension liability and total OPEB liability. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Contractual obligations are reported net of the associated premium or discount at the government-wide level and are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

L. Leases & SBITAs

The County is a participant in noncancellable leases of buildings and subscription-based IT arrangements (SBITAs). The County recognizes liabilities and intangible right-to-use assets (assets) in the government-wide financial statements.

At the commencement of a lease or SBITA, the County initially measures a liability at the present value of payments expected to be made during the term of the agreement. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the agreement's commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and SBITAs include how the County determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed-upon payments.

- The County uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate.

- The agreement term includes the noncancellable period of the lease or SBITA.

- The payments included in the measurement of the liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its leases and SBITAs and will remeasure the assets and liabilities if certain changes occur that are expected to significantly affect the amount of the liabilities.

Lease and SBITA assets are reported with other capital assets and the liabilities are reported with statement of net position.

A. Pension

For purposes of measuring the net pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS using the flow of economic resources measurement focus and accrual basis of accounting. Plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Liability and Fiduciary Net Position is obtained from TCDRS through a report prepared for the County by TCDRS's consulting actuary.

B. Other Postemployment Benefits

For purposes of measuring the total other postemployment benefits (OPEB) liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense, the balances have been determined using the flow of economic resources measurement focus and accrual basis of accounting. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

C. Net Position Flow Assumptions

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

It is the County's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

D. Fund Balance Flow Assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the County's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, the committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

E. Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications of fund balance used in the governmental fund financial statements are as follows:

- Nonspendable: This classification represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Restricted: This classification represents amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification represents amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority. Commissioners' Court is the highest level of decision-making authority for the County that can, by formal action, commit fund balance. Once adopted, the limitation imposed by Commissioners' Court will remain in place until a similar action is taken to remove or revise the limitation. The County has no committed fund balance at September 30, 2023.

- Assigned: This classification represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority. The County reported $56,269 of assigned fund balance for subsequent fiscal year appropriations at September 30, 2023.

- Unassigned: This classification accounts for the residual amount in the General Fund. The General Fund is the only fund that may report a positive unassigned fund balance. In certain situations, other governmental funds may report a negative unassigned fund balance.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States of America 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 revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. Change in Accounting Principle

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), was adopted effective October 1, 2022. The statement addresses accounting and financial reporting for subscription contracts. Statement No. 96 establishes standards form recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to SBITAs in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of the beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County annually adopts a budget for all revenue and expenditures for the General Fund and the Road and Bridge Fund as required by Texas state law. The County Judge is, by statute, the County Budget Officer and has the responsibility of preparing the annual budget. A copy of the budget is filed with the Clerk of the County Court and is available for inspection by the public. The Court has the authority to make such changes in the budget as, in its judgement, the facts and the situation warrant, and the interest of the taxpayers' demand, provided the amounts budgeted for current expenditures from the various fund of the County shall not exceed the balances in these funds as of October 1, plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Judge with the assistance of the County Auditor.

The following procedures are followed in establishing the budgetary data reflected in the financial schedules:

1. In April of each year, preparations are made for departments' submission of their budget request for the following fiscal year. During June and July, the Commissioners' Court conducts informal hearings with each department head to discuss his/her budget requests, during which time the County Auditor prepares an estimate for revenue resources and compiles the requested department expenditures.
2. Within seven days of the filing of the budget, and as near July 31 of the current year as possible, the Commissioners Court conducts a public hearing on the County's budget.
3. Prior to October 1, the budget is legally enacted through order of adoption by Commissioners Court.

The Commissioners' Court may authorize the County Auditor to transfer an existing budget surplus during the year to any fund not otherwise legally obligated. The budget is adopted whereby the Commissioners' Court does not budget certain designated-purpose fee revenues and expenditures. Also, according to Commissioners' Court policy, encumbered (i.e. committed, but unrealized) expenditures are combined with actual expenditures for purposes as budget compliance measures.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed or assigned, as appropriate. As of September 30, 2023, the County did not have any outstanding encumbrances.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Cash Deposits with Financial Institutions

The County's funds are required to be deposited and invested under the terms of a safekeeping agreement. 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 agreement. 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.

B. Investments

The County's investment policy is in accordance with the Public Funds Investment Act (PFIA), the Public Funds Collateral Act, and federal and state laws. The County further limits its investments to obligations of, or guaranteed by, the U.S. Treasury or the State of Texas, certain U.S. Government Agencies, certificates of deposit, or public funds investment pools.

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

1. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
2. Level 2 inputs are inputs - other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.
3. Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain types of the County's investments are not required to be measured at fair value; this includes its investment in TexPool, which is measured at amortized cost. These instruments are exempt from categorization within the fair value hierarchy. The County's investment balances, weighted average maturity and credit risks of such investments are as follows:

Investment Type	Reported Value	Weighted Average Maturity (days)	S&P Rating
Texpool	$ 10,095,980	28	AAAm
TxClass	27,628,134	23	AAAm

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Such investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The County monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the County reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than two years. The maximum allowable stated maturity of any other individual investment owned by the County shall not exceed two years from the date of purchase.

Credit Risk

State law and the County's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The County's investment ratings are noted in the preceding table.

Concentration of Credit Risk

The investment portfolio shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investments of the County shall always be selected that provide stability of income and reasonable liquidity. The County's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of September 30, 2023, the County's bank deposits were not exposed to custodial credit risk because such deposits were insured and collateralized with securities held by the County's agent in the County's name.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker/dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The County's policy requires that the investments of the County be secured through third-party custodial and safekeeping procedures as designated by the County. The County's agent holds securities in the County's name; therefore, the County is not exposed to custodial credit risk.

C. Receivables and Allowance for Uncollectible Accounts

Receivables as of September 30, 2023, for the County's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Road and Bridge	Nonmajor Governmental Funds	Total
Taxes receivable:				
Property tax	$ 3,577,437	$ 364,543	$ 183,704	$ 4,125,684
Sales tax	1,388,749	-	-	1,388,749
Fines	19,331,203	-	-	19,331,203
Other	512	-	-	512
Due from other governments	4,112,602	-	83,236	4,195,838
Less: allowance for uncollectibles	(20,775,619)	(190,706)	(92,153)	(21,058,478)
Net accounts receivable	$ 7,634,884	$ 173,837	$ 174,787	$ 7,983,508

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned, such as advance fund grants that have not met requirements from resource providers.

As of September 30, 2023, the components of unearned revenues and deferred inflows of resources reported in the governmental funds which are not considered to be available are as follows:

	General	Road and Bridge	American Rescue Plan	Nonmajor Governmental	Total
Unearned revenue:					
Grants	$ 1,040,222	$ -	$ 12,218,325	$ -	$ 13,258,547
	1,040,222	-	12,218,325	-	13,258,547
Deferred inflows of resources:					
Property taxes	1,657,062	159,276	-	86,750	1,903,088
Adjudicated fines	386,624	-	-	-	386,624
Grants	3,242,245	-	-	-	3,242,245
	$ 5,285,931	$ 159,276	$ -	$ 86,750	$ 5,531,957

Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, debt service and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Interfund receivables and payables as of September 30, 2023, are as follows:

Receivable Fund	Payable Fund	Amount
General fund	American Rescue Plan	$ 16,238
General fund	Nonmajor funds	10,705
Total interfunds		$ 26,943

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment". Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. Interfund transfers as of September 30, 2023, are as follows:

Transfer from	Amount	Transfer to
General fund	$ 791,136	Road & Bridge
ARPA fund	547,103	General fund
General fund	210,750	Nonmajor funds
Nonmajor funds	20,397	Nonmajor funds
Total transfers	$ 1,569,386	

D. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land	$ 1,725,273	$ -	$ -	$ 1,725,273
CIP	1,167,779	358,893	-	1,526,672
Total capital assets not being depreciated	2,893,052	358,893	-	3,251,945
Capital assets being depreciated:				
Buildings and improvements	38,829,674	-	24,689	38,804,985
Machinery and equipment	19,981,836	2,358,924	792,121	21,548,639
Right to use assets	676,211	-	119,973	556,238
Right to use subscriptions	645,396	-	-	645,396
Software	928,420	-	-	928,420
Infrastructure	27,286,354	-	-	27,286,354
Total capital assets being depreciated	88,347,891	2,358,924	936,783	89,770,032
Less: accumulated depreciation:				
Buildings and improvements	(18,485,265)	(1,172,331)	27,861	(19,629,735)
Machinery and equipment	(12,468,719)	(1,909,876)	703,022	(13,675,573)
Right to use assets	(227,675)	(54,192)	119,173	(162,694)
Right to use subscriptions	(258,159)	(129,079)	-	(387,238)
Software	(719,525)	(92,842)	-	(812,367)
Infrastructure	(19,812,376)	(539,585)	-	(20,351,961)
Total capital assets being depreciated	(51,971,719)	(3,897,905)	850,056	(55,019,568)
Total depreciable assets, net	36,376,172	(1,538,981)	86,727	34,750,464
Total capital assets	$ 39,269,224	$ (1,180,088)	$ 86,727	$ 38,002,409

Depreciation expense was charged to functions of the government-wide statement of activities as follows:

Governmental activities:		
General government	$	500,542
Legal		334,317
Public works		1,894,463
Social services		111,439
Public safety		1,057,144
Total governmental activities depreciation expense	$	3,897,905

E. Long-term Liabilities

The following is a summary of the changes in long-term liabilities of the County for the year ended September 30, 2023:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Contractual obligations at par	$ 3,745,000	$ -	$ 330,000	$ 3,415,000	$ 350,000
Issuance premiums	112,327	-	12,594	99,733	-
SBITAs	386,271	-	129,078	257,193	128,757
Leases	504,590	-	50,808	453,782	20,151
Total contractual obligations	4,748,188	-	522,480	4,225,708	498,908
Compensated absences	1,420,385	1,496,119	1,342,556	1,573,948	314,790
Total governmental activities	$ 6,168,573	$ 1,496,119	$ 1,865,036	$ 5,799,656	$ 813,698

Contractual Obligations

On October 1, 2016, the County issued $5,375,000 of Public Property Finance Contractual Obligations (the Obligations), Series 2016. The obligations were issued to fund the acquisition and installation of energy saving repairs and equipment for County buildings. The interest rates on the obligations are 2.00%-2.50% and the obligations mature on March 1, 2031.

The following is a schedule of future debt service payments on the obligations:

Year Ended September 30,	Principal	Interest	Total
2024	$ 350,000	$ 73,063	$ 423,063
2025	370,000	65,863	435,863
2026	390,000	58,263	448,263
2027	410,000	49,750	459,750
2028	435,000	40,244	475,244
2029-2031	1,460,000	55,550	1,515,550
Total	$ 3,415,000	$ 342,733	$ 3,757,733

Lease Payable

During the current year, the County entered into 1 new lease as lessee for the right to use buildings. The County's lease detail is listed below:

Lease Description	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
UTMB Building	3.5%	10/01/2021	7/25/2040	$ 609,086	$ 453,782
Total				$ 609,086	$ 453,782

A summary of the governmental activities long-term lease payable as of September 30, 2023, is as follows:

Fiscal Year	Payments	Payments
2024	$ 20,151	$ 15,561
2025	20,868	14,844
2026	21,610	14,102
2027	22,378	13,334
2028	23,174	12,538
2029-2033	101,238	41,610
2034-2038	148,168	30,392
2039-2040	96,195	4,989
Total	$ 453,782	$ 147,370

Subscriptions Payable

During the current year, the County entered into 1 SBITA as lessee for the right to use technology agreements. The County's lease detail is listed below:

SBITA Description	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Incode Financial SaaS	3.5%	2020	2024	$ 645,396	$ 257,193
Total				$ 645,396	$ 257,193

A summary of the governmental activities long-term lease payable as of September 30, 2023, is as follows:

Fiscal Year	Principal Payments	Interest Payments
2024	$ 128,757	$ 1,292
2025	128,436	1,614
Total	$ 257,193	$ 2,906

Fund Balance

The County's restricted fund balance for the General Fund as of September 30, 2023 is summarized as follows:

Restriction	Amount
Title IV E Foster Care	157,495
Adult Probation	525,151
Voter Registration	6,000
Law Library	341,555
Hot Check Collections	15,330
DWI Audio / Video Fund	48,404
Contributions	26,938
District Clerk Records Management	313,015
Child Support Title IV-D	160,799
Federal Drug Forfeiture - OC	96,711
D.A. Federal Drug Forfeiture	27,186
Texas Juvenile Probation	106,765
Constable #2 - State Forfeiture	828
Law Enforcement Training	17,434
Tax Assessor Collector - VIT Interest	11,285
Bail Bond	80,156
County State Drug Seizure	71,647
Drug Forfeiture: Precinct #2	2,217
Records Management - Records Management	2,125,270
Drug Seizure: Precint 1 Constable	14,674
Records Management	129,459
Indigent Defense Program	636,249
Courthouse Security	172,725
Tax Office	699,993
Probate Education	16,753
Gambling & Child Porn Forfeiture - CCP CH. 18	63,591
Treasure Forfeiture	208,505
Veterans Donations	820
Technology Fund	88,092
Family Protection Fees	8
Hotel/Motel Tax	298,035
Forfeiture Proceeds	22,618
Constable Precinct #2 -Treasury Forfeits	2,750
TDRA / GLO / Recovery Grants	396,866
Drug Seizure Trust	250,969
Constable Precinct #2 - State Drug Seizure	11,523
Local First Program	152,609
Total governmental activities	$ 8,553,045

IV. OTHER INFORMATION

A. Pension Plan

Plan Description

The County's nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), provides pensions for all of its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple employer public employee retirement system consisting of over nontraditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, TX, 78768-2034.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in temporary positions are not eligible for membership.

Benefits Provided

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

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

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

Employees covered by benefit terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	431
Inactive employees entitled to but not yet receiving benefits	274
Active employees	410
Total	1,115

Contributions

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The County's actuarially required employer contribution rates were 15.03% and 14.03% for calendar years 2022 and 2023, respectively. The County's contributions to TCDRS for the year ended September 30, 2023, were $3,368,922, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	5.00% per year
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

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

All actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumptions was changed for purposes of determining plan liabilities at the March 2022 meeting. All plan liabilities are now valued using a 7.60% discount rate.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2022 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in 2022. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [(1)]	Geometric Real Rate of Return (Expected minus Inflation) [(2)]
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [(5)]	25.00%	7.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index[(3)]	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [(4)]	6.00%	5.70%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. 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. The employee is legally required to make the contribution specified in the funding policy. 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. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, 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 net pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 156,935,933	$ 167,602,675	$ (10,666,742)
Changes for the year:			
Service cost	3,254,178	-	3,254,178
Interest on total pension liability (1)	11,815,617	-	11,815,617
Effect of economic/demographic gains or losses (2)	(527,729)	-	(527,729)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(147,414)	(147,414)	-
Benefit payments	(9,471,658)	(9,471,658)	-
Administrative expenses	-	(89,613)	89,613
Member contributions	-	1,578,894	(1,578,894)
Net investment income	-	(9,428,574)	9,428,574
Employer contributions	-	3,390,113	(3,390,113)
Other (3)	-	(514,626)	514,626
Balance at 12/31/2022	$ 161,858,927	$ 152,919,797	$ 8,939,130

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

(2) No plan changes valued.

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

Sensitivity Analysis

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

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	$ 180,952,258	$ 161,858,927	$ 145,715,378
Fiduciary net position	152,919,799	152,919,797	152,919,799
Net pension liability/(asset)	$ 28,032,459	$ 8,939,130	$ (7,204,421)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the County recognized pension expense of $2,683,749. At September 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 63,520	$ 1,063,705
Changes in actuarial assumptions	1,978,791	129,240
Difference between projected and actual investment earnings	2,395,190	-
Contributions subsequent to the measurement date	2,410,174	-
Total	$ 6,847,675	$ 1,192,945

$2,410,174 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	Pension Expense Amount
2024	$ (1,056,134)
2025	(353,529)
2026	260,145
2027	4,394,074

B. Other Post-Employment Benefits

Plan Description

The County established an other postemployment retiree health care plan (the Retiree Health Plan) to provide health care benefits to eligible retirees who meet all retirement eligibility requirements. The Retiree Health Plan is a single-employer defined benefit OPEB plan administered by the County. Benefit terms and financing requirements are established and amended by the governing body of the County. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Benefits and Contributions

The Retiree Health Plan provides retiree health care and death benefits for all employees of the County who meet eligibility requirements. The County does not provide health care benefits for dependents of retirees; however, retirees have the option of purchasing dependent coverage through the County.

Employees hired prior to October 1, 2017, are eligible when they meet the earlier of a) age 60 with 8 years of service, b) 20 years of service without regard to age, or c) the sum of age plus years of service equals 75. Employees under this category are eligible to receive lifetime benefits.

Employees hired on or after October 1, 2017, are eligible when they meet age 55 with 12 years of full-time continuous service with the County. Employees under this category are eligible to receive benefits until age 65.

A $5,000 death benefit is provided to eligible retirees. The County pays the full contribution for this benefit.

At September 30, 2023, the following employees were covered by the benefit terms of the Retiree Health Plan:

Inactive employees or beneficiaries currently receiving benefits	280
Active employees	347
Total	627

The County contributes 100% of the individual rate for the retiree. The retiree contributes 100% of the excess contribution for any dependent coverage elected. The retiree hired prior to October 1, 2017, must enroll in Parts A and B of Medicare when first eligible. For retirements after September 30, 2016, and before February 27, 2019, the County contribution will be based on cumulative service at the date of retirement as follows: 8-11 years = 25%; 12-15 years = 50%; 16-19 years = 75% and 20+ years = 100%.

Total OPEB Liability

The County's total OPEB liability was measured as of the County's fiscal year end September 30, 2023 and was rolled forward from an actuarial valuation as of September 30, 2022.

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2022
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Total OPEB Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount rate	4.77% (2.27% real rate of return plus 2.50% inflation)
Health care cost trend rates	Level 4.50%
Mortality	RPH-2014 Total Table with Projection MP-2021
Salary Increases	3.50%

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

The discount rate used to measure the total OPEB liability was 4.77% and was based on the Bond Buyer GO Bond 20 Index as of September 30, 2021.

Changes in the Total OPEB Liability

The County's total OPEB liability of $53,755,735 was measured as of September 30, 2023, and was rolled forward from an actuarial valuation as of September 30, 2022.

	Total OPEB Liability
Balance at 10/1/2022	$ 52,692,818
Changes for the year:	
Service cost	924,327
Interest	2,501,190
Benefit payments	(2,362,600)
Net changes	1,062,917
Balance at 9/30/2023	$ 53,755,735

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the County as of September 30, 2023, calculated using the discount rate of 4.77%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.77%) or 1% higher (5.77%) than the current rate.

	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
Total OPEB Liability	$ 47,315,157	$ 53,755,735	$ 61,723,717

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the total OPEB liability of the County as of September 30, 2023, calculated using the healthcare cost trend rate of 4.50%, as well as what the County's total OPEB liability would be if it were calculated using a rate that is 1% lower (3.50%) or 1% higher (5.50%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	$ 47,056,791	$ 53,755,735	$ 62,094,278

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the County recognized OPEB expense of $(2,151,099). At September 30, 2023, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 9,939,379
Changes in actuarial assumptions	2,609,222	14,125,150
Total	$ 2,609,222	$ 24,064,529

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	OPEB Expense Amount
2024	$ (6,725,437)
2025	(8,767,780)
2026	(5,962,090)

C. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During 2023, the County purchased insurance to cover property and liabilities through the Texas Association of Counties Risk Management Pool, a public entity risk pool. There were no significant reductions in coverage in the past year, and there have been no settlements exceeding insurance coverage in the past three years.

The County purchases workers' compensation insurance coverage through the Texas Association of Counties Risk Management Pool (the Pool), a public entity risk pool, which is self-sustaining through member premiums. There were no significant reductions in coverage in the past year, and there have been no settlements exceeding insurance coverage in the past three years.

D. Contingencies

The County is subject to legal proceedings relating to its operations. In the best judgement of the County's management, the outcome of any present legal proceedings will not have an adverse material effect on the accompanying financial statements.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Although the County's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2023, these programs are subject to financial and compliance audits by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. These amounts, if any, cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

E. Tax Abatements

As of September 30, 2023, the County provides tax abatement economic development incentives through two programs:

Chapter 312 Texas Tax Code – Property Redevelopment

Under a chapter 312 agreement, a taxpayer and the County agree to exempt all or part of the value increases from real property and / or tangible personal property from taxation for up to 10 years. In return, the taxpayer is required to make certain improvements to their property or meet certain performance benchmarks.

Chapter 381 Texas Local Government Code – County Development and Growth

Under a chapter 381 agreement, a taxpayer and the County agree to exempt all or part of the value increases from real property and / or tangible personal property from taxation for up to 10 years. In return, the taxpayer is required to make certain improvements to their property or meet certain performance benchmarks.

The County had foregone tax revenues for the year ended September 30, 2023, in the following amounts:

Taxpayer	Abatement Period Fiscal Year	FY 2023 Assessed Values	FY 2023 Abated Values	FY 2023 Abated Taxes
Chapter 312				
Remaining (Aggregated)*	Up to 10 years	$ 10,499,122	$ 4,117,959	$ 22,204
Total Chapter 312		$ 10,499,122	$ 4,117,959	$ 22,204
Chapter 381				
Jefferson Gulf Coast Energy	2015 - 2024	$ 224,222,710	$ 224,222,710	$ 1,209,009
Jefferson Gulf Coast Energy	2020 - 2029	298,582,630	298,582,630	1,609,958
Remaining (Aggregated)*	2015 - 2026	60,545,368	51,640,398	278,445
Total Chapter 381		$ 583,350,708	$ 574,445,738	$ 3,097,412

*The County used a quantitative threshold of $50,000 in abated taxes to determine which agreements to disclose individually.

The County has not made any commitments as a part of the abatement agreements other than to reduce taxes. The County is not subject to any tax abatement agreements entered into by other governmental entities.

F. <u>New Accounting Standards</u>

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

The GASB has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021- 1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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

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

GASB Statement No. 102, *Certain Risk Disclosures* - This Statement requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability and address certain application issues. The requirements for Statement No. 103 are effective for fiscal years beginning after June 15, 2025, and the impact has not yet been determined.

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

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REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

SEPTEMBER 30, 2023

Measurement Date December 31	**2014**	**2015**	**2016**
Total Pension Liability			
Service cost	$ 2,954,608	$ 2,866,461	$ 2,933,345
Interest total pension liability	8,571,838	9,038,075	9,464,871
Effect of change in benefit terms	-	(420,920)	-
Effect of assumption changes or inputs	-	1,192,989	-
Effect of economic/demographic (gains) or losses	(586,980)	(992,652)	25,268
Benefit payments/refunds of contributions	(5,105,689)	(5,948,242)	(6,194,837)
Net change in total pension liability	5,833,777	5,735,711	6,228,647
Total pension liability - beginning	106,879,767	112,713,544	118,449,255
Total pension liability - ending (a)	$ 112,713,544	$ 118,449,255	$ 124,677,902
Plan Fiduciary Net Position			
Employer contributions	$ 2,778,675	$ 2,853,719	$ 2,919,744
Member contributions	1,405,400	1,400,843	1,409,535
Investment income net of investment expenses	6,698,765	(208,052)	7,557,125
Benefit payments refunds of contributions	(5,105,689)	(5,948,242)	(6,194,837)
Administrative expenses	(77,763)	(74,039)	(82,106)
Other	(116,283)	364,968	86,957
Net change in plan fiduciary net position	5,583,105	(1,610,803)	5,696,418
Plan fiduciary net position - beginning	98,175,341	103,758,446	102,147,643
Plan fiduciary net position - ending (b)	$ 103,758,446	$ 102,147,643	$ 107,844,060
Net pension liability - ending (a) - (b)	$ 8,955,098	$ 16,301,612	$ 16,833,842
Fiduciary net position as a percentage of total pension liability	92.05%	86.24%	86.50%
Pensionable covered payroll	$ 20,077,146	$ 20,012,048	$ 20,136,210
Net pension liability as a percentage of covered payroll	44.60%	81.46%	83.60%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2017	2018	2019	2020	2021	2022
$ 2,826,435	$ 2,803,212	$ 2,793,439	$ 2,940,408	$ 3,462,481	$ 3,254,178
10,049,445	10,531,794	10,822,003	11,231,562	11,592,341	11,815,617
-	-	371,525	-	-	-
377,375	-	-	7,915,162	(387,722)	-
(36,383)	(2,029,333)	(816,742)	254,078	(2,003,721)	(527,729)
(7,010,713)	(7,475,788)	(7,959,791)	(8,573,978)	(9,419,058)	(9,619,072)
6,206,159	3,829,885	5,210,434	13,767,232	3,244,321	4,922,994
124,677,902	130,884,061	134,713,946	139,924,380	153,691,612	156,935,933
$ 130,884,061	$ 134,713,946	$ 139,924,380	$ 153,691,612	$ 156,935,933	$ 161,858,927
$ 3,010,437	$ 3,203,370	$ 3,696,537	$ 3,642,760	$ 3,368,920	$ 3,390,113
1,427,716	1,444,821	1,483,480	1,608,790	1,544,365	1,578,894
15,700,090	(2,283,104)	18,983,420	13,589,078	30,603,234	(9,428,573)
(7,010,713)	(7,475,788)	(7,959,791)	(8,573,978)	(9,419,058)	(9,619,072)
(80,373)	(92,835)	(100,289)	(103,673)	(90,675)	(89,614)
(35,235)	(72,101)	(76,885)	(85,272)	(88,633)	(514,626)
13,011,922	(5,275,637)	16,026,472	10,077,705	25,918,153	(14,682,878)
107,844,060	120,855,982	115,580,345	131,606,817	141,684,522	167,602,675
$ 120,855,982	$ 115,580,345	$ 131,606,817	$ 141,684,522	$ 167,602,675	$ 152,919,797
$ 10,028,079	$ 19,133,601	$ 8,317,563	$ 12,007,090	$ (10,666,742)	$ 8,939,130
92.34%	85.80%	94.06%	92.19%	106.80%	94.48%
$ 20,395,886	$ 20,640,239	$ 21,192,571	$ 22,982,721	$ 22,062,362	$ 22,555,628
49.17%	92.70%	39.25%	52.24%	-48.35%	39.63%

ORANGE COUNTY, TEXAS

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

SEPTEMBER 30, 2023

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2014	$ 2,837,715	$ 2,837,715	$ -	$ 20,063,442	14.1%
2015	3,010,651	3,010,651	-	20,854,205	14.4%
2016	2,977,230	2,977,230	-	20,255,233	14.7%
2017	3,170,650	3,170,650	-	20,670,656	15.3%
2018	3,252,626	3,252,626	-	20,844,598	15.6%
2019	3,518,283	3,902,431	(384,148)	22,270,165	17.5%
2020	3,642,760	3,642,760	-	22,982,721	15.8%
2021	3,368,920	3,368,920	-	22,062,362	15.3%
2022	3,390,113	3,390,113	-	22,555,628	15.0%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

ORANGE COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

SEPTEMBER 30, 2023

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.5 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed fair value
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career, including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provision were reflected in the Schedule. 2019: No changes in plan provision were reflected in the Schedule. 2020: Employer contributions reflect that a 10% CPI COLA was adopted 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule.

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

ORANGE COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

SEPTEMBER 30, 2023

Measurement Date December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 2,509,273	$ 2,611,149	$ 2,611,149
Interest (on the Total OPEB Liability)	2,703,126	2,732,525	2,965,414
Difference between expected and actual experience of the total OPEB liability	-	-	(4,109,876)
Changes of assumptions	-	-	18,916,865
Benefit payments, including refunds of employee contributions	(1,979,011)	(1,979,011)	(2,458,278)
Net change in Total OPEB liability	3,233,388	3,364,663	17,925,274
Total OPEB liability - beginning	65,059,686	68,293,074	71,657,737
Total OPEB liability - ending (a)	68,293,074	71,657,737	89,583,011
B. Covered-employee payroll	$ 20,670,656	$ 20,844,598	$ 16,126,745
C. Total OPEB liability as a percentage of covered-employee payroll	330.39%	343.77%	555.49%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

	2020	2021	2022
	$ 2,416,566	$ 2,416,566	$ 924,327
	2,042,335	2,088,425	2,501,190
	-	(16,366,901)	-
	-	(24,666,306)	-
	(2,458,278)	(2,362,600)	(2,362,600)
	2,000,623	(38,890,816)	1,062,917
	89,583,011	91,583,634	52,692,818
	91,583,634	52,692,818	53,755,735
	$ 16,126,745	$ 17,822,222	$ 17,822,222
	567.90%	295.66%	301.62%

ORANGE COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 32,195,991	$ 32,195,991	$ 31,034,258	$ (1,161,733)
Sales taxes	7,545,000	7,545,000	8,668,479	1,123,479
Miscellaneous taxes	389,500	389,500	401,285	11,785
Payments in lieu of taxes	205,000	205,000	249,920	44,920
Intergovernmental	16,185,457	16,926,738	6,590,740	(10,335,998)
Fees of office	3,971,700	4,473,196	6,488,279	2,015,083
Fines and forfeitures	-	-	58,462	58,462
Interest	128,165	128,165	1,319,698	1,191,533
Miscellaneous	547,800	731,050	1,689,874	958,824
Total revenues	61,168,613	62,594,640	56,500,995	(6,093,645)
EXPENDITURES				
Current:				
General government	21,271,716	21,188,231	18,066,602	3,121,629
Legal	8,495,170	8,464,343	7,329,331	1,135,012
Public works	15,137,576	19,374,040	2,253,706	17,120,334
Social services	2,815,025	2,965,572	2,560,096	405,476
Public safety	16,756,165	16,969,283	15,077,906	1,891,377
Capital outlay	968,358	1,590,131	600,504	989,627
Debt service:				
Principal	18,790	18,790	148,537	(129,747)
Interest	16,922	16,922	16,253	669
Total expenditures	65,479,722	70,587,312	46,052,935	24,534,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,311,109)	(7,992,672)	10,448,060	18,440,732
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	547,103	547,103
Transfers out	-	-	(1,001,886)	(1,001,886)
Sale of capital assets	-	-	1,374,419	1,374,419
Insurance recoveries	(758,329)	(1,015,389)	257,061	1,272,450
Total other financing sources (uses)	(758,329)	(1,015,389)	1,176,697	2,192,086
NET CHANGE IN FUND BALANCES	(5,069,438)	(9,008,061)	11,624,757	20,632,818
FUND BALANCES, BEGINNING	18,700,596	18,700,596	18,700,596	-
FUND BALANCES, ENDING	$ 13,631,158	$ 9,692,535	$ 30,325,353	$ 20,632,818

ORANGE COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - ROAD AND BRIDGE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 5,092,379	$ 5,092,379	$ 4,929,605	$ (162,774)
Intergovernmental	31,660	226,190	226,134	(56)
Fees of office	2,263,500	2,263,500	1,740,700	(522,800)
Miscellaneous	101,000	101,000	194,674	93,674
Total revenues	7,488,539	7,683,069	7,091,113	(591,956)
EXPENDITURES				
Current:				
Public works	5,885,118	6,144,828	5,272,895	871,933
Capital outlay	1,594,006	1,920,956	1,534,471	386,485
Total expenditures	7,479,124	8,065,784	6,807,366	1,258,418
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,415	(382,715)	283,747	666,462
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	791,136	791,136
Total other financing sources(uses)	-	-	791,136	791,136
NET CHANGE IN FUND BALANCES	9,415	(382,715)	1,074,883	1,457,598
FUND BALANCES, BEGINNING	(477,071)	(477,071)	(477,071)	-
FUND BALANCES, ENDING	$ (467,656)	$ (859,786)	$ 597,812	$ 1,457,598

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COMBINING
FUND FINANCIAL STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. These funds are as follows:

Mosquito Control

Economic Development Corporation

Orange County Expo Center

Health Services Grant

Road and Bridge Fund is used to account for the operation, repair and maintenance of County highways and lateral roads and bridges.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

ORANGE COUNTY, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Mosquito Control	Economic Development Corporation	Orange County Expo Center
ASSETS			
Cash and cash equivalents	$ 137,226	$ -	$ -
Receivables (net of allowance for uncollectibles)			
Property taxes	67,995	-	-
Due from other governments	-	-	-
Total assets	205,221	-	-
LIABILITIES			
Accounts payable	2,267	-	12,059
Accrued liabilities	32,940	7,532	6,008
Due to other funds	-	-	-
Total liabilities	35,207	7,532	18,067
DEFERRED INFLOWS OF RESOURCES			
Unavailable - property taxes	64,238	-	-
Total deferred inflows of resources	64,238	-	-
FUND BALANCES			
Restricted	105,776	-	-
Unassigned	-	(7,532)	(18,067)
Total fund balances	105,776	(7,532)	(18,067)
Total liabilities, deferred inflows and fund balances	$ 205,221	$ -	$ -

Health Services Grants	Debt Service	Total Nonmajor Governmental
$ -	$ 36,685	$ 173,911
-	23,556	91,551
83,236	-	83,236
83,236	60,241	348,698
906	-	15,232
17,989	-	64,469
10,705	-	10,705
29,600	-	90,406
-	22,512	86,750
-	22,512	86,750
53,636	37,729	197,141
-	-	(25,599)
53,636	37,729	171,542
$ 83,236	$ 60,241	$ 348,698

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Mosquito Control	Economic Development Corporation	Orange County Expo Center
REVENUES			
Property taxes	$ 1,271,800	$ -	$ -
Intergovernmental	-	141,512	-
Interest	-	-	-
Miscellaneous	-	-	53,605
Total revenues	1,271,800	141,512	53,605
EXPENDITURES			
Current:			
General government	-	138,485	291,593
Social services	1,111,408	-	-
Public safety	-	-	-
Capital outlay	90,776	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,202,184	138,485	291,593
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	69,616	3,027	(237,988)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	231,147
Transfers out	-	(20,397)	-
Total other financing sources and uses	-	(20,397)	231,147
NET CHANGE IN FUND BALANCES	69,616	(17,370)	(6,841)
FUND BALANCES, BEGINNING	36,160	9,838	(11,226)
FUND BALANCES, ENDING	$ 105,776	$ (7,532)	$ (18,067)

Health Services Grants	Debt Service	Total Nonmajor Governmental
$ -	$ 352,656	$ 1,624,456
525,603	-	667,115
-	802	802
-	-	53,605
525,603	353,458	2,345,978
-	-	430,078
-	-	1,111,408
437,862	-	437,862
-	-	90,776
31,349	330,000	361,349
551	80,163	80,714
469,762	410,163	2,512,187
55,841	(56,705)	(166,209)
-	-	231,147
-	-	(20,397)
-	-	210,750
55,841	(56,705)	44,541
(2,205)	94,434	127,001
$ 53,636	$ 37,729	$ 171,542

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FIDUCIARY FUNDS

Private-Purpose Trust Funds are used to account for all trust agreements under which the principal and income benefit a specific individual or entity. The following are the County's private-purpose trust funds:

County Clerk Fund – This fund is used to account for monies held by the County Clerk in court-ordered trust on behalf of individuals until released by future court orders.

District Clerk Fund – This fund is used to account for monies held by the District Clerk in court-ordered trust on behalf of individuals until released by future court orders.

Custodial Funds are used to account for assets held by the County as an agent for individual private organizations and other governments. These funds are as follows:

County Attorney – This fund is used to account for restitution payable to victims and temporarily holds fees collected on felony hot checks.

Justice of the Peace – This fund is used to account for fees, fines and funds related to civil cases. Fees and fines are reportable to the County Treasurer, and a portion is disbursed by the Treasurer to the State.

Tax Assessor – This fund is used to account for monies collected for various taxes by the County Tax Assessor Collector.

Child Support – This fund is used to account for monies collected for beneficiaries.

Orange County Juvenile Probation – This fund is used to account for monies collected for the purpose of supervising youth who have been found guilty of having committed a delinquent act to monitor the juvenile's adherence to special conditions and mandatory sanctions related to the offense.

Sheriff – This fund is used to account for inmate funds in trust during incarceration, monies collected from commissary purchases, and fee collections by the Sheriff Department, which are reportable to the County Treasurer.

Property Tax Auction – This fund is used to account for monies collected and held for individuals participating in online property auctions.

Seizure Funds – This fund is used to account for monies collected during Sheriff office seizures.

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

SEPTEMBER 30, 2023

	County Clerk Trust	District Clerk Trust	Total Private-Purpose Trust Funds
ASSETS			
Cash and investments	$ 725,265	$ 997,231	$ 1,722,496
Total assets	725,265	997,231	1,722,496
NET POSITION			
Restricted for individuals, organizations, and other governments	725,265	997,231	1,722,496
Total net position	$ 725,265	$ 997,231	$ 1,722,496

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	County Clerk Trust	District Clerk Trust	Total Private-Purpose Trust Funds
ADDITIONS			
Collections from judgements	$ 388,883	$ 1,068,065	$ 1,456,948
Total additions	388,883	1,068,065	1,456,948
DEDUCTIONS			
Disbursements to beneficiaries	719,368	567,727	1,287,095
Total deductions	719,368	567,727	1,287,095
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(330,485)	500,338	169,853
NET POSITION, BEGINNING	1,055,750	496,893	1,552,643
NET POSITION, ENDING	$ 725,265	$ 997,231	$ 1,722,496

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

CUSTODIAL FUNDS

SEPTEMBER 30, 2023

	County Attorney	Justice of the Peace	Tax Assessor
ASSETS			
Cash and investments	$ 33,909	$ 35,562	$ 699,993
Total assets	33,909	35,562	699,993
LIABILITIES			
Due to other governments	16,689	-	517,247
Total liabilities	16,689	-	517,247
NET POSITION			
Restricted for individuals, organizations, and other governments	17,220	35,562	182,746
Total net position	$ 17,220	$ 35,562	$ 182,746

Child Support	Orange County Juvenile Probation	Sheriff	Property Tax Auction	Seizure Funds	Total Custodial Funds
$ 160,799	$ 29,950	$ 720,885	$ -	$ 288,285	$ 1,969,383
160,799	29,950	720,885	-	288,285	1,969,383
-	-	125,320	13,488	-	672,744
-	-	125,320	13,488	-	672,744
160,799	29,950	595,565	(13,488)	288,285	1,296,639
$ 160,799	$ 29,950	$ 595,565	$ (13,488)	$ 288,285	$ 1,296,639

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	County Attorney	Justice of the Peace	Tax Assessor
ADDITIONS			
Collections from judgements	$ 41,759	$ -	$ -
Taxes and fees collected on behalf of other governments	-	3,583	175,333,773
Total additions	41,759	3,583	175,333,773
DEDUCTIONS			
Disbursements to beneficiaries	25,309	-	-
Taxes and fees disbursed to other governments	-	10,302	175,936,117
Total deductions	25,309	10,302	175,936,117
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	16,450	(6,719)	(602,344)
NET POSITION, BEGINNING	770	42,281	785,090
NET POSITION, ENDING	$ 17,220	$ 35,562	$ 182,746

Child Support	Orange County Juvenile Probation	Sheriff	Property Tax Auction	Seizure Funds	Total Custodial Funds
$ -	$ 2,941	$ 703,131	$ 1,693,529	$ 30,468	$ 2,471,828
-	-	-	-	-	175,337,356
-	2,941	703,131	1,693,529	30,468	177,809,184
-	111,258	747,427	2,356,536	20,455	3,260,985
-	-	-	-	-	175,946,419
-	111,258	747,427	2,356,536	20,455	179,207,404
-	(108,317)	(44,296)	(663,007)	10,013	(1,398,220)
160,799	138,267	639,861	649,519	278,272	2,694,859
$ 160,799	$ 29,950	$ 595,565	$ (13,488)	$ 288,285	$ 1,296,639

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable County Judge
and Commissioners' Court of Orange County
Orange, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange County, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Orange County, Texas' basic financial statements, and have issued our report thereon dated July 17, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
July 17, 2024

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

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

Report on Compliance for Each Major Federal Program

We have audited Orange County, Texas' (the "County's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2023. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Waco, Texas
July 17, 2024

ORANGE COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through General Land Office:			
TXCDBG- Infrastructure Recovery Grant	14.228	20065150-C911	$ 376,992
TXCDBG- Harvey CDBG Buyout Program			442,795
Total General Land Office			819,787
Passed through Texas Department of Agriculture:			
TXCDBG - Orangefield Water/Sewer Project	14.228	N/A	33,500
Total Texas Department of Agriculture			33,500
Total U.S. Department of Housing and Urban Development			853,287
U.S. Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership	16.607	N/A	8,903
State Criminal Alien Assistance Program	16.638	N/A	4,439
Federal Equitable Sharing Program	16.922	N/A	14,867
Total U.S. Department of Justice			28,209
U.S. Department of Transportation			
Passed though Southeast Texas Regional Planning Commission:			
Transportation Services - Section 5311	20.509	RPT-19021739	275,877
Total Southeast Texas Regional Planning Commission			275,877
Passed though Texas Department of Transportation:			
Airport Maintenance Grant (RAMP)	20.106	20CRORANG	26,156
Total Texas Department of Transportation:			26,156
Total U.S. Department of Transportation			302,033
U.S. Department of the Treasury			
Direct Programs:			
Federal Equitable Sharing Program	21.016	N/A	191,529
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	2,286,245
Total U.S. Department of the Treasury			2,477,774
U.S. Department of Health and Human Services			
Direct Programs:			
National Retail Food Regulatory Program	93.103	N/A	24,438
Passed though Texas Department of State Health Services:			
Regional Local Services System/Local Public Health Services Grant	93.991	HHS000485600048	38,689
PHCR Workforce CO-AG Grant	93.991	N/A	348,002
COVID-19 HDG Revenue	93.991	N/A	157,766
PHEP Grant	93.991	N/A	19,835
Total Texas Department of State Health Services:			564,292
Total U.S. Department of Health and Human Services			588,730
U.S. Department of Homeland Security			
Passed though Texas Division of Emergency Management:			
Disaster Grant - Public Assistance (FEMA) Texas Covid-19 Pandemic	97.036	PA-4485	391,157
Disaster Grant - Public Assistance (FEMA) Texas Hurricane Harvey	97.036	PA-4332	1,172,040
Disaster Grant - Public Assistance (FEMA) Hurricane Laura	97.036	DR-4572	965,024
Total Assistance Listing Number 97.036			2,528,221
Hurricane Harvey Mitigation Grant	97.039	DR-4332	1,838,375
Total Texas Division of Emergency Management			4,366,596
Passed though Texas Office of the Governor:			
State Homeland Security OEM Grant	97.067	N/A	21,564
Total Texas Office of the Governor			21,564
Total U.S. Department of Homeland Security			4,388,160
Total Expenditures of Federal Awards			$ 8,638,193

ORANGE COUNTY, TEXAS

NOTES TO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2023

1. SUMMARY OF ACCOUNTING POLICIES

The County accounts for all awards under federal programs on the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain long-term liabilities, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received in advance, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of the specified project periods.

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the County under programs of the federal government for the fiscal year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County.

2. DE MINIMIS COST RATE

The County has elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The information included in the Schedule as of September 30, 2023, which has been submitted to grantor agencies will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

In accordance with Uniform Guidance, non-federal entities must record expenditures for Disaster Grants - Public Assistance (FEMA) on the SEFA when: (1) FEMA has approved the non-federal entity's project worksheet, and (2) the non-Federal entity has incurred the eligible expenditures.

4. PASS-THROUGH EXPENDITURES

None of the expenditures reported on the schedule of expenditures of federal awards were passed through to subrecipients.

ORANGE COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
CFDA Number(s):	Name of Federal Program or Cluster:
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund
97.039	Disaster Grants- Hurricane Harvey Mitigation
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

ORANGE COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

None.

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