

TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Terrell County, Texas (the "County") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section preceding the basic financial statements, the budgetary comparison schedules for the General Fund and Road & Bridge Fund, and the pension and other post-employment benefits related schedules following the notes 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 August 20, 2021 in 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 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 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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

August 20, 2021

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TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

As management of Terrell County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,658,110 (*net position*). Of this amount, \$807,986 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased by \$350,267 as a result of current operations, primarily as a result of expenses exceeding revenues.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$829,209, which reflects an increase of \$50,422 from operations in comparison with the prior year. Approximately 22.5% of this amount, or \$186,642, is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$186,642, which reflected 7% of total General Fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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.

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

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

Both of 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 (*business-type activities*).

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The governmental activities of the County include general government, public safety, justice system, transportation, culture and recreation, health and human services, and economic development. The County does not have any business-type activities.

The government-wide financial statements can be found on pages 16-17 of this report.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (consisting of several sub-funds) and the Venue Fund, which are considered to be major funds. Data from the other ten 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 in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its General Fund and several special revenue funds. A detailed listing of the funds with adopted budgets is provided on page 31 of this report. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds. The County has the option of maintaining two different types of proprietary funds.

Enterprise funds can be used to report the same functions presented as *business-type activities* in the government-wide financial statements. Enterprise funds are meant to account for activities expected to recover their costs through charges to purchasers of goods or services. However, the County does not currently utilize enterprise funds.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Internal service funds are an accounting device used to accumulate and allocate costs internally among a County's functions. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. However, the County is not currently utilizing internal service funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains two different types of fiduciary funds. The *Private-Purpose Trust Funds* are used to report resources held in trust for the Permanent School Fund on behalf of Terrell County Independent School District and for the Terrell County Cemetery Fund. The *Agency Fund* reports resources held by County elective offices that have either not yet been officially remitted to the County treasury or are under the control of the respective County elective offices.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

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

The notes to the financial statements can be found on pages 29-49 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's budget versus actual results for the General Fund, and also to present information regarding the County's participation in the Texas County and District Retirement System's pension plan and related other post-employment benefits.

Required supplementary information can be found on pages 53-59 of this report.

Combining and Individual Fund Financial Statements and Schedules. Many of the initial financial statements presented at the beginning of the report present some funds in consolidated columns, such as the General Fund (consisting of several sub-funds), the non-major governmental funds, the trust funds, and the agency funds. All of these consolidated columns however are presented later in the report combining schedules which show the funds individually.

The combining and individual fund financial statements and schedules can be found on pages 62-75 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a County's financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,658,110 at the close of the most recent fiscal year.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Shown below is a summary of the County's Statement of Net Position for the current and previous fiscal year.

**Terrell County, Texas
Net Position**

	Governmental Activities 2020	Governmental Activities 2019	Change
ASSETS			
Current & Other Assets	\$ 1,921,588	\$ 1,343,557	\$ 578,031
Capital Assets	4,453,285	4,771,806	(318,521)
Total Assets	6,374,873	6,115,363	259,510
DEFERRED OUTFLOWS			
Deferred Outflows	102,647	529,088	(426,441)
TOTAL ASSETS AND DEFERRED OUTFLOWS	6,477,520	6,644,451	(166,931)
LIABILITIES			
Current Liabilities	372,444	255,741	116,703
Long-term Liabilities	175,601	315,557	(139,956)
Total Liabilities	548,045	571,298	(23,253)
DEFERRED INFLOWS			
Deferred Inflows	271,365	53,501	217,864
TOTAL LIABILITIES AND DEFERRED OUTFLOWS	819,410	624,799	194,611
NET POSITION			
Investment in Capital Assets, net of Related Debt	4,453,285	4,771,806	(318,521)
Restricted	396,839	369,254	27,585
Unrestricted	807,986	878,592	(70,606)
Total Net Position	\$ 5,658,110	\$ 6,019,652	\$ (361,542)

A portion of the County's net position, \$4,453,285, or 78.7%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$396,839, or 7.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$807,986, or 14.3% is unrestricted and may be used to meet the County's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, for its separate governmental activities. The same situation held true for the prior fiscal year.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The County's overall net position decreased by \$350,267 from the prior fiscal year. The reasons for this decrease are discussed in the following sections for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$350,267 from the prior fiscal year for an ending balance of \$5,658,110. The decrease in net position of governmental activities is primarily the result of expenses being greater than revenue received.

**Terrell County, Texas
Changes in Net Position**

	Governmental Activities 2020	Governmental Activities 2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 575,109	\$ 618,239	\$ (43,130)
Operating Grants & Contributions	268,166	297,972	(29,806)
General Revenues:			
Property Taxes	1,885,701	1,825,490	60,211
General Sales and Use Taxes	128,866	251,603	(122,737)
Donations	8,130	-	8,130
Investment Earnings	8,619	22,839	(14,220)
Miscellaneous	61,881	140,680	(78,799)
Total Revenue	<u>2,936,472</u>	<u>3,156,823</u>	<u>(220,351)</u>
Expenses:			
General Government	1,295,388	1,330,413	(35,025)
Public Safety	664,372	710,222	(45,850)
Judicial System	187,666	233,979	(46,313)
Transportation	351,282	340,684	10,598
Culture and Recreation	81,058	83,504	(2,446)
Health and Human Services	693,428	761,960	(68,532)
Economic Development	13,418	17,696	(4,278)
Total Expenses	<u>3,286,612</u>	<u>3,478,458</u>	<u>(191,846)</u>
Increase (Decrease in Net Position Before Transfers and Special Items)	(350,140)	(321,635)	(28,505)
Transfers In/(Out)	(127)	-	(127)
Special Item - Return of USDA Funds	-	(65,960)	(65,960)
Increase (Decrease) in Net Position	<u>(350,267)</u>	<u>(387,595)</u>	<u>(94,592)</u>
Net Position - Beginning	6,019,652	6,311,203	(291,551)
Prior Period Adjustment	(11,275)	96,044	(107,319)
Net Position - Ending	<u>\$ 5,658,110</u>	<u>\$ 6,019,652</u>	<u>\$ (361,542)</u>

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental and fiduciary funds are used, however the County does not currently engage in activities that would require the use of a proprietary fund.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Court.

At September 30, 2020, the County's governmental funds reported combined fund balances of \$829,209, an increase of \$50,422 in comparison with the prior year. Of this amount, \$186,642 constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$-0-, 2) legally required to be maintained intact \$-0-, 3) restricted for particular purposes \$396,841, 4) committed for particular purposes \$245,726, or 5) assigned for particular purposes \$-0-.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$186,642, while total fund balance increased to \$492,010. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 7% of total General Fund expenditures, while total fund balance represents approximately 18% of that same amount.

The fund balance of the County's General Fund increased by \$30,847 during the current fiscal year. The increase was primarily due to conservative spending within the General Fund.

The Venue Fund, a major fund, experienced a \$33,419 increase in fund balance during the current fiscal year resulting in an ending fund balance of \$291,950. The increase in fund balance was due to the dedicated sales tax for this fund bringing in more revenues during the year than could be allocated specifically to economic development activities.

Proprietary Funds. The County does not currently utilize any proprietary funds.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year significant amendments to increase either the original estimated overall County revenues or the originally budgeted appropriations at the functional levels were not needed. However, some amendments to reallocate appropriations within departments were made.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2020, amounted to \$4,453,285 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, roads, highways, and bridges. The net decrease in capital assets for the current fiscal year of approximately 6.7% was the result of current year depreciation expense.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Terrell County, Texas
Capital Assets**

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 186,512	\$ 186,512	\$ -
Buildings and Improvements	4,140,220	4,140,220	-
Infrastructure	3,719,764	3,853,979	(134,215)
Machinery and Equipment	3,899,101	3,719,764	179,337
Total	<u>11,945,597</u>	<u>11,900,475</u>	<u>45,122</u>
Less Accumulated Depreciation	<u>(7,492,312)</u>	<u>(7,128,669)</u>	<u>(363,643)</u>
Capital Assets, net of Depreciation	<u>\$ 4,453,285</u>	<u>\$ 4,771,806</u>	<u>\$ (318,521)</u>

Additional information on the County's capital assets can be found in Note 4 on page 38 of this report.

Long-term liabilities. At the end of the current fiscal year, the County had no outstanding bonded debt, tax notes, or capital leases.

Long-term obligations reported on the Statement of Net Position consist of pension and other post-employment liabilities and accrued employee compensated absences. While these liabilities are considered long-term debt obligations, they do not require current scheduled outlay payments and will instead be satisfied through regular operation or changes in funding requirements of these benefit plans.

Additional information on the County's long-term liabilities can be found in Note 8 on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the County and were considered in developing the 2020-2021 fiscal year budget:

- Further declines in taxable property value within the County and the resulting decreases in property tax assessments continue to affect the County's budget.
- The County adopted an expenditures budget for the General Fund for the 2020-2021 fiscal year in the amount of \$2,781,470. This reflects a decrease of approximately \$200,000 from the previous year's adopted budget.
- Property tax rates for the 2020-2021 fiscal year held constant from the previous year at \$0.80 per \$100 of land valuation.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the County's finances. For questions and additional information, please visit the Terrell County Treasurer's Office at 105 East Hackberry, Sanderson, Texas 79848, or telephone (432) 345-2992.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Primary Government Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 398,210
Investments	762,493
Property Taxes Receivable	144,462
Allowance for Uncollectible Taxes	(14,446)
Accounts Receivable	199,806
Notes Receivable	6,500
Deferred Expenditures	7,866
Net Pension Asset	416,697
Capital Assets not Being Depreciated:	
Land	186,512
Capital Assets, Being Depreciated	
Buildings and Improvements	4,140,220
Infrastructure	3,719,764
Machinery and Equipment	3,899,101
Accumulated Depreciation	(7,492,312)
Total Assets	6,374,873
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Items	73,109
Other Post-Employment Benefit Items	29,538
Total Deferred Outflows of Resources	102,647
LIABILITIES	
Accounts Payable	311,323
Payroll Deductions and Withholdings	12,922
Accrued Salaries and Wages	42,083
Due to Fiduciary Funds	1,317
Accrued Expenditures	4,799
Long-Term Liabilities:	
Other Long-Term Debt	28,642
Other Post-Employment Benefits Liability	146,959
Total Liabilities	548,045
DEFERRED INFLOWS OF RESOURCES	
Long-Term Lease Receivable	6,500
Pension Plan Items	251,479
Other Post-Employment Benefit Items	13,386
Total Deferred Inflows of Resources	271,365
NET POSITION	
Net Investment in Capital Assets	4,453,285
Restricted for Capital Projects	1,209
Restricted for Debt Service	4,504
Restricted for Other Purposes	391,126
Unrestricted	807,986
Total Net Position	\$ 5,658,110

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

TERRELL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,295,388	\$ 100,035	\$ 74,243	\$ (1,121,110)
Public Safety	664,372	58,550	155,733	(450,089)
Judicial System	187,666	38,236	-	(149,430)
Transportation	351,282	2,875	21,093	(327,314)
Culture and Recreation	81,058	3,550	-	(77,508)
Health and Human Services	693,428	371,863	17,097	(304,468)
Economic Development	13,418	-	-	(13,418)
Total Governmental Activities:	\$ 3,286,612	\$ 575,109	\$ 268,166	(2,443,337)
General Revenues:				
Property Taxes				1,885,701
General Sales and Use Taxes				128,866
Donations				8,130
Investment Income				8,619
Other Revenue				61,881
Total General Revenues				2,093,197
Change in Net Position Before Special Items				(350,140)
Transfers In/(Out)				(127)
Change in Net Position				(350,267)
Net Position - Beginning				6,019,652
Prior Period Adjustments				(11,275)
Net Position - Ending				\$ 5,658,110

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

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FUND BASIS FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<i>042</i>			
	General Fund	Venue Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Temporary Investments	\$ 139,622	\$ 222,184	\$ 36,404	\$ 398,210
Investments	690,307	63,341	8,845	762,493
Property Taxes Receivable	144,462	-	-	144,462
Allowance for Uncollectible Taxes	(14,446)	-	-	(14,446)
Accounts Receivable	12,853	6,425	13,806	33,084
Due from Other funds	16,007	-	-	16,007
Notes Receivable	6,500	-	-	6,500
Deferred Expenditures	7,866	-	-	7,866
Total Assets	<u>\$ 1,003,171</u>	<u>\$ 291,950</u>	<u>\$ 59,055</u>	<u>\$ 1,354,176</u>
LIABILITIES				
Accounts Payable	\$ 311,323	\$ -	\$ -	\$ 311,323
Payroll Deductions and Withholdings	12,042	-	880	12,922
Accrued Salaries and Wages	42,083	-	-	42,083
Due to Other Funds	4,398	-	12,926	17,324
Accrued Expenditures	4,799	-	-	4,799
Total Liabilities	<u>374,645</u>	<u>-</u>	<u>13,806</u>	<u>388,451</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows-Property Taxes	130,016	-	-	130,016
Deferred Inflows-Unavailable Revenue	6,500	-	-	6,500
Total Deferred Inflows of Resources	<u>136,516</u>	<u>-</u>	<u>-</u>	<u>136,516</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Debt Service	-	-	4,504	4,504
Capital Projects	-	-	1,209	1,209
Other Purposes	95,038	291,950	4,140	391,128
Committed for:				
Other Purposes	210,330	-	35,396	245,726
Unassigned	186,642	-	-	186,642
Total Fund Balances	<u>492,010</u>	<u>291,950</u>	<u>45,249</u>	<u>829,209</u>
Total Liabilities and Fund Balances	<u>\$ 1,003,171</u>	<u>\$ 291,950</u>	<u>\$ 59,055</u>	<u>\$ 1,354,176</u>

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

TERRELL COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Total Fund Balances - Governmental Funds		\$ 829,209
<p>Capital assets and related accumulated depreciation used in governmental activities are not current financial resources, and therefore not reported in the funds. These are detailed as follows:</p>		
Governmental activities capital assets	\$ 11,945,597	
Less accumulated depreciation	<u>(7,492,312)</u>	4,453,285
<p>Net pension and other post-employment assets or liabilities as well as related deferred inflows and outflows are not reported in the governmental funds, but are reported on the Statement of Net Position. These amounts are detailed as follows:</p>		
Current pension funding asset	416,697	
Deferred outflows related to pensions	73,109	
Deferred inflows related to pensions	(251,479)	
Other post-employment benefits liability	(146,959)	
Deferred outflows related to other post-employment benefits	29,538	
Deferred inflows related to other post-employment benefits	<u>(13,386)</u>	107,520
<p>Uncollected property taxes are not available to pay for current operations and are therefore not recorded within the fund balance of the governmental funds. These amounts are however recorded in the statement of net position, net of an allowance for uncollectible amounts.</p>		
		130,016
<p>Long-term liabilities, such as accrued compensated absences, are not due and payable in the current period, and therefore not reported as liabilities in the governmental funds.</p>		
Compensated absences		(28,642)
<p>Court receivables for fines and fees are longer-term in nature due to their high uncollectable percentage and have therefore only been recorded at the government-wide financial statement level.</p>		
		<u>166,722</u>
Net Position of Governmental Activities		<u><u>\$ 5,658,110</u></u>

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

TERRELL COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND **CHANGES IN FUND BALANCE**
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<i>012</i>			
	General Fund	Venue Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,874,217	\$ -	\$ -	\$ 1,874,217
General Sales and Use Taxes	89,967	38,899	-	128,866
Fines, Fees, and Permits	148,019	-	6,674	154,693
Charges for Services	406,964	-	4,577	411,541
Rent and Lease Income	8,875	-	-	8,875
Donations	8,130	-	-	8,130
Intergovernmental Revenues	136,338	-	131,828	268,166
Investment Income	7,921	435	263	8,619
Other Revenue	61,402	-	479	61,881
Total Revenues	<u>2,741,833</u>	<u>39,334</u>	<u>143,821</u>	<u>2,924,988</u>
EXPENDITURES				
Current:				
General Government	1,121,160	-	-	1,121,160
Public Safety	480,198	-	86,706	566,904
Justice System	161,525	-	-	161,525
Transportation	295,155	-	-	295,155
Culture and Recreation	70,793	-	-	70,793
Health and Human Services	599,084	-	2,837	601,921
Economic Development	5,944	5,915	-	11,859
Capital Outlay	-	-	45,122	45,122
Total Expenditures	<u>2,733,859</u>	<u>5,915</u>	<u>134,665</u>	<u>2,874,439</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>7,974</u>	<u>33,419</u>	<u>9,156</u>	<u>50,549</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	48,075	-	-	48,075
Transfers Out	(25,202)	-	(23,000)	(48,202)
Total Other Financing Sources (Uses)	<u>22,873</u>	<u>-</u>	<u>(23,000)</u>	<u>(127)</u>
Net Change in Fund Balance	30,847	33,419	(13,844)	50,422
Fund Balance - Beginning	472,438	258,531	59,093	790,062
Prior Period Adjustment	(11,275)	-	-	(11,275)
Fund Balance - Ending	<u>\$ 492,010</u>	<u>\$ 291,950</u>	<u>\$ 45,249</u>	<u>\$ 829,209</u>

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

TERRELL COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$	50,422
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, depreciation expense is only reported on the Statement of Activities.</p>		
Expenditures for capitalized assets	\$	45,122
Less current year depreciation	<u>(363,643)</u>	(318,521)
<p>Long-term liabilities, such as accrued compensated absences, are not recorded within the governmental funds due to them not representing current liabilities.</p>		
Change in long-term liabilities for compensated absences		(8,355)
<p>Revenues in the statements of activities for property taxes are recognized in the period levied, not collected. Therefore the uncollected property taxes of the current period increase the change in net position.</p>		
		11,484
<p>Governmental funds report pension and other post-employment benefit contributions as current year expenditures. However, these costs are measured actuarially in the statement of activities. These differences in recognition between the governmental funds and Statement of Activities for these items is as follows:</p>		
Current year pension expense	(76,848)	
Current year other post-employment benefits expense	<u>(8,449)</u>	<u>(85,297)</u>
Change in Net Position- Governmental Activities		<u>\$ (350,267)</u>

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

TERRELL COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiduciary Funds	
	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,166,417	\$ 67,212
Investments	19,685,022	-
Due from Other Funds	1,317	-
Accrued Interest Receivable	443	-
Notes Receivable	370,001	-
Total Assets	<u>22,223,200</u>	<u>67,212</u>
LIABILITIES		
Due to Others	-	67,212
Total Liabilities	<u>-</u>	<u>\$ 67,212</u>
NET POSITION		
Total Net Position	<u>\$ 22,223,200</u>	

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

TERRELL COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiduciary Funds
	Private Purpose Trust Funds
REVENUES	
Contributions:	
Rent and Lease Income	\$ 111,656
Donations	822
Total Contributions	112,478
Investment Earnings:	
Investment Income	229,695
Total Investment Income	229,695
Total Revenues	342,173
EXPENDITURES	
Payments to Beneficiaries	308,601
Investment Fees	12,000
Repairs and Maintenance	10,661
Other Operating Costs	367
Total Expenditures	331,629
Net Change in Net Position	10,544
Net Position - Beginning	22,212,656
Net Position - Ending	\$ 22,223,200

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

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NOTES TO THE FINANCIAL STATEMENTS

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TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Terrell County, Texas (the "County") is the primary government reported within these financial statements and is governed by an elected county judge and four-member Commissioners Court. The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units are, in substance, part of a primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Based on the criteria for determining and including component units within the financial statements of a primary government, no blended or discretely presented component units have been included within the County's financial statements.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Basis of Presentation – Government-wide Financial Statements

The governmental activities column on the statement of activities consolidates data from governmental funds and internal service funds, and also adds long-term assets and liabilities, such as capital assets and bonds payable. The business-type activities column consolidates data from the government's enterprise funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds.

The County reports the following major governmental funds:

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

The *Venue Fund* is a special revenue fund established to account for the revenue and expenditures related to operation of the County's convention center facility.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The County also reports the following governmental fund types within the nonmajor governmental funds:

Special Revenue Funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

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

The County reports the following fiduciary fund types:

Private Purpose Trust Funds account for assets held in a trustee capacity for others and which therefore are not available to support County programs. The reporting focus is on net position and changes in net position, which is reported using the accrual basis of accounting.

Agency Funds account for cash collections held by the various offices of elected County officials that have either yet to be turned in to the County Treasurer or can be used by the elected official in accordance with State law.

Interfund Transactions

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment for a given fund or activity is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following funds:

General Fund	Airport Fund
Road and Bridge Fund	Venue Tax Fund
Courthouse and Jail Fund	J. P. Technology Fund
Jury Fund	Historical Commission Fund
Courthouse Security Fund	Visitors Center
Contingency Fund	Records Preservation Fund

Other special revenue funds do not have appropriated budgets since other means control the use of these resources, such as grant awards, and sometimes span a period of more than one fiscal year.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The appropriated budget is prepared by fund and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Commissioners' Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. As of year end there were no outstanding encumbrances.

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

1. Cash and Cash Equivalents

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

2. Investments

Investments for the County are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets, donated works of art and similar items, and capital assets received in a concession arrangement are recorded at acquisition value.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings	40
Machinery and Equipment	7-15
Vehicles	6
Improvements	20
Infrastructure	20

5. *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. 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.

6. *Net Position Flow Assumption*

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

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

8. Fund Balance Policies

Fund balance of 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 committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing court is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The court has by resolution authorized the County Judge to assign fund balance. The Commissioners' Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed taxable value of the property tax roll of January 1, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$234,506,126. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rate assessed for the year ended September 30, 2020, to finance County operations was \$0.80 per \$100 valuation. The total County tax levy for the 2019-2020 fiscal year was \$1,876,189. Tax collections on the current levy for the year ended September 30, 2020, were 99% of the year end adjusted tax levy.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. *Compensated Absences*

Vacation

County policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from County service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the County and, upon separation from service, no monetary obligation exists.

4. *Pensions and Other Post-Employment Benefits*

For purposes of measuring the net pension and other post-employment benefits (OPEB) liabilities, the economic resources measurement focus and full accrual basis of accounting have been used. This includes deferred inflows and outflows of resources related to pensions, OPEB, pension expense, and OPEB expense, and information about assets, liabilities, and additions to/deductions from the net position of the pension plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE-2 CASH AND INVESTMENTS

Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, State law requires governmental entity deposits to be completely insured with FDIC and pledged securities coverage at all times. As of September 30, 2020, the County's combined bank balances at its depository bank, Pecos County State Bank, were \$1,579,434, and of that amount \$500,000 was covered by FDIC insurance and the remaining amount was covered by pledged collateral.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Investments

As of September 30, 2020, the County had the following investments:

Investment Type	Maturity Time in Years				Totals
	Less than 1	1-5	6-10	More Than 10	
Governmental Funds:					
LoneStar Government Pool	\$ 188,840	\$ -	\$ -	\$ -	\$ 188,840
TexStar Government Pool	59,172	-	-	-	59,172
TexPool Investment Pool	514,482	-	-	-	514,482
Total Governmental Funds	<u>\$ 762,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 762,494</u>
Fiduciary Funds:					
Certificates of Deposit	\$ 3,320,175	\$ -	\$ -	\$ -	\$ 3,320,175
Marketable Securities	8,160,000	-	-	-	8,160,000
LoneStar Government Pool	190,741	-	-	-	190,741
TexStar Government Pool	7,697,986	-	-	-	7,697,986
TexPool Investment Pool	316,122	-	-	-	316,122
Total Fiduciary Funds	<u>\$ 19,685,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,685,023</u>

Lone Star (First Public)

The Government Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Corporate Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

TexStar

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 2002 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. TexSTAR's policy seeks to invest pooled assets in a manner that will provide for preservation and safety of principal and competitive investment returns while meeting the daily liquidity needs of the participants by utilizing economies of scale and professional investment expertise.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Since April 2002, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to TexSTAR. JPMIM is an SEC registered investment adviser and an affiliate of J.P. Morgan Asset Management(JPMAM), which is the marketing name for the asset management business of JPMorgan Chase & Co. FirstSouthwest, A Division of Hilltop Securities (FirstSouthwest) and JPMIM serve as co-administrators for TexSTAR. FirstSouthwest provides administrative, participant support, and marketing services. Hilltop Securities Inc. is a registered broker dealer, member of FINRA/SIPC, which provides financial advisory and investment banking services to governmental entities across the county. JPMorgan Chase Bank N.A. provides custodial services.

TexPool

TexPool operates in a manner consistent with the criteria set forth in Governmental Accounting Standards Board Statement No. 79 (GASB 79) and therefore uses amortized cost to report net assets to compute share prices. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool does not have any restrictions or limitations on withdrawals. TexPool maintains a Net Asset Value of approximately \$1 per share and, as allowed by GASB 79, uses amortized cost to report net assets. TexPool does not have any restrictions or limitations on withdrawals. The Standard and Poor's investment rating for TexPool as of September 30, 2020 was AAAM.

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2020, the government's investment in the State Treasurer's investment pool was rated AAAM by Standard & Poor's, Taxable Bonds were rated AA+ by Standard & Poor's, and Tax-Exempt Bonds were rated AA- to AAA by Standard & Poor's.

Concentration of credit risk. The County's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE-3 RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. On the next page is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental Funds:

Receivables	General Fund	Venue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 144,462	\$ -	\$ -	\$ 144,462
Accounts Receivable	12,853	6,425	13,806	33,084
Notes Receivable	6,500	-	-	6,500
Gross Receivables	<u>163,815</u>	<u>6,425</u>	<u>13,806</u>	<u>184,046</u>
Allowance for Uncollectible	(14,446)	-	-	(14,446)
Net Receivables	<u>\$ 149,369</u>	<u>\$ 6,425</u>	<u>\$ 13,806</u>	<u>\$ 169,600</u>

NOTE-4 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020, was as follows:

Governmental Activities:

	Balance 10/1/19	Increases	Decreases	Balance 9/30/20
Capital Assets, Not Being Depreciated:				
Land	\$ 186,512	\$ -	\$ -	\$ 186,512
Total Capital Assets, Not Being Depreciated	<u>186,512</u>	<u>-</u>	<u>-</u>	<u>186,512</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,140,220	-	-	4,140,220
Infrastructure	3,719,764	-	-	3,719,764
Machinery and Equipment	3,853,979	45,122	-	3,899,101
Total Capital Assets, Being Depreciated	<u>11,713,963</u>	<u>45,122</u>	<u>-</u>	<u>11,759,085</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,001,539)	(97,780)	-	(2,099,319)
Infrastructure	(1,605,788)	(141,861)	-	(1,747,649)
Machinery and Equipment	(3,521,342)	(124,002)	-	(3,645,344)
Total Accumulated Depreciation	<u>(7,128,669)</u>	<u>(363,643)</u>	<u>-</u>	<u>(7,492,312)</u>
Total Capital Assets Being Depreciated, Net	<u>4,585,294</u>	<u>(318,521)</u>	<u>-</u>	<u>4,266,773</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,771,806</u>	<u>\$ (318,521)</u>	<u>\$ -</u>	<u>\$ 4,453,285</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the County as follows:

General Government	\$ 144,100
Public Safety	72,862
Judicial System	20,760
Transportation	37,935
Culture and Recreation	9,099
Health and Human Services	77,363
Economic Development	1,524
Total Depreciation Expense - Governmental Activities	<u>\$ 363,643</u>

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities reported by governmental and proprietary funds at September 30, 2020, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts Payable	\$ 311,323	\$ -	\$ 311,323
Payroll Deductions	12,042	880	12,922
Accrued Salaries & Wages	42,083	-	42,083
Accrued Expenditures	4,799	-	4,799
Total	<u>\$ 370,247</u>	<u>\$ 880</u>	<u>\$ 371,127</u>

NOTE-6 PENSION OBLIGATIONS

Texas County and District Retirement System (TCDRS)

Plan Description

The County provides pension, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan within the Texas County and District Retirement System (TCDRS). TCDRS is a statewide, agent multiple-employer, public employee retirement system administered by a Board of Directors. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis.

This ACFR is available online at www.tcdrs.org/newsandpublications.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated 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 amount contributed by their employer.

Benefits Provided

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.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Membership Information

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Members	12/31/2018	12/31/2019
Number of Inactive Employees Entitled to but not yet Receiving Benefits:	61	71
Number of Active Employees	47	45
Average Monthly Salary:*	\$ 2,328	\$ 2,410
Average Age:*	49.10	51.13
Average Length of Service in Years:*	7.70	9.52
<hr/>		
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of Benefit Recipients:	35	35
Average Monthly Benefit:	\$ 1,107	\$ 1,134
<hr/>		
<i>*Averages Reported for Active Employees</i>		

Funding Policy

As an agent, multiple-employer plan, each participating employer in TCDRS funds its plan independently. A combination of three elements funds each employer's plan as described below.

1. Employee Deposits

The governing body of the employers has the option of adopting a deposit rate in the plan for employees of 4%, 5%, 6%, or 7% of compensation. Terrell County had an adopted deposit rate for employees of 5% in effect for the years ended September 30, 2019 and 2020.

2. Employer Contributions

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Terrell County had required employer deposit rates in effect for the years ended September 30, 2019 and 2020 of 7.04% and 7.63%, respectively.

3. Investment Income

Income on invested employee and employer contributions funds a large part of the benefits that employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Net Pension Liability/(Asset)

The County's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Actuarial Methods and Assumptions Used for Calculations

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

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over expected working life
Recognition of assumption changes or inputs	Straight-Line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	2.25%
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Terrell County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Terrell County specific table
Turnover	Terrell County specific table
Mortality	RP-2000 Mortality Table

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the next page.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Assoc. Global Priv. Eq. & Venture Cap. Index	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities-Developed Mkts	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities-Emerging Mkts	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Assoc. Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REIT's Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFR) Fund of Funds Composite Index	8.00%	2.30%
		100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 7.10%, or 1-percentage-point higher, 9.10%, than the current rate:

	Discount Rate (7.10%)	Discount Rate (8.10%)	Discount Rate (9.10%)
Total Pension Liability	\$ 7,963,983	\$ 7,184,135	\$ 6,519,969
Fiduciary Net Position	7,600,832	7,600,832	7,600,832
Net Pension Liability/(Asset)	\$ 363,151	\$ (416,697)	\$ (1,080,863)

Pension Plan Fiduciary Net Position

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A detail of the changes in the Net Pension Liability/(Asset) of the County is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balances as of December 31, 2018	\$ 7,017,951	\$ 6,832,854	\$ 185,097
Changes for the Year:			
Service Cost	146,348	-	146,348
Interest on Total Pension Liability	561,077	-	561,077
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains/Losses	(56,979)	-	(56,979)
Effect of Assump. Changes or Inputs	-	-	-
Refund of Contributions	(14,533)	(14,533)	-
Benefit Payments	(469,729)	(469,729)	-
Administrative Expenses	-	(5,792)	5,792
Member Contributions	-	60,679	(60,679)
Net Investment Income	-	1,122,434	(1,122,434)
Employer Contributions	-	85,437	(85,437)
Other	-	(10,518)	10,518
Balances as of December 31, 2019	<u>\$ 7,184,135</u>	<u>\$ 7,600,832</u>	<u>\$ (416,697)</u>

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

For the year ended September 30, 2020, the County recognized pension expense of (\$76,848).

At September 30, 2020, 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 Experience	\$ -	\$ 49,805
Changes of Assumptions	3,246	-
Net Difference Between Projected and Actual Investment Earnings	-	201,674
Contributions Made Subsequent to the Measurement Date	69,863	-
Total	\$ 73,109	\$ 251,479

Deferred outflows of resources for contributions subsequent to the measurement date shown above will be recognized as a reduction of the net pension liability in the subsequent pension plan measurement year. All other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the pension plan measurement year as follows:

Measurement Year Ended December 31,	Pension Expense Amount
2020	\$ (78,626)
2021	(78,918)
2022	25,920
2023	(116,609)
2024	-
Thereafter	-

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) – GROUP TERM LIFE INSURANCE

Plan Description

Terrell County participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Benefits Provided

- 1) All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.
- 2) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
- 3) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
- 4) No future increases are assumed in the \$5,000 benefit amount.

Membership Information

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Members	12/31/2018	12/31/2019
Number of Inactive Employees Entitled to but not yet Receiving Benefits (1):	16	18
Number of Active Employees:	47	45
Average Age of Active Employees:	49.10	51.13
Average Length of Service in Years for Active Employees:	7.70	9.52
<hr/>		
Inactive Employees Receiving Benefits (1)		
Number of Benefit Recipients (1):	26	26

(1) "Receiving Benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum life insurance benefit upon the retiree's death.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Funding Policy

For GASB 75 purposes, the OPEB plan is not a cost sharing plan as the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the TCDRS GLT Program make a combined contribution for both the active and retiree coverage, however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree coverage are included under GASB 75.

The following shows a breakdown of the employer's contributions to the GTL program for the calendar year 2019. Contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75. Contributions for active coverage are not considered an OPEB benefit under GASB 75.

Coverage Type	2019	
	GTL Rate	Amount
Active Member GTL Benefit	0.20%	\$ 2,427
Retiree GTL Benefit	0.24%	2,913

Total OPEB Liability

For the Texas County and District Retirement System (TCDRS), the GTL program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated. As such, the Total OPEB Liability is required to be reported as a liability for OPEB obligations on the statement of net position.

The following is the Total OPEB Liability for both the current and prior measurement year:

	<u>12/31/2018</u>	<u>12/31/2019</u>
Total OPEB Liability	\$110,173	\$146,959

Actuarial Methods and Assumptions Used for Calculations

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight -Line amortization over expected working life
Recognition of assumptions changes or inputs	Straight -Line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	2.74%
	20-year Bond GO Index published by bondbuyer.com as of 12/26/19
Cost-of-Living Adjustments	Does not apply
Disability	Terrell County specific table
Mortality	Terrell County specific table
Retirement	Terrell County specific table
Other Termination of Employment	Terrell County specific table

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Discount Rate

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 2.74%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 1.74%, or 1-percentage-point higher, 3.74%, than the current rate:

	1% Decrease	Current	1% Increase
Discount Rate	1.74%	2.74%	3.74%
Total OPEB Liability	\$ 178,505	\$ 146,959	\$ 123,042

Changes in the Total OPEB Liability

A detail of the changes in the Total OPEB Liability of the County is as follows:

	Changes in Total OPEB Liability
Balances as of December 31, 2018	\$ 110,173
Changes for the Year:	
Service Cost	4,408
Interest on Total OPEB Liability (1)	4,639
Changes in Benefit Terms (2)	-
Effect of Economic/Demographic Experience	(452)
Effect of Assumptions Changes or Inputs (3)	31,104
Benefit Payments	(2,913)
Balances as of December 31, 2019	<u>\$ 146,959</u>

OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended September 30, 2020, the County recognized OPEB expense of (\$8,449).

At September 30, 2020, the County reported deferred outflows of resources 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 Experience	\$ -	\$ 5,473
Changes of Assumptions	27,353	7,913
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Made Subsequent to the Measurement Date	2,185	-
Total	<u>\$ 29,538</u>	<u>\$ 13,386</u>

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Deferred outflows of resources for contributions subsequent to the measurement date shown above will be recognized as a reduction of the Total OPEB Liability in the subsequent pension plan measurement year. All other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the OPEB plan measurement year as follows:

Measurement Year Ended December 31,	OPEB Expense
2020	\$ 2,614
2021	2,614
2022	2,611
2023	6,128
2024	-
Thereafter	-

NOTE-8 LONG-TERM LIABILITIES

Changes in the government's long-term liabilities for the year ended September 30, 2020 are as follows:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Other Long-Term Debt					
Compensated Absences	\$ 20,287	\$ 8,355	\$ -	\$ 28,642	\$ 14,321
Total Other Long-Term Debt	20,287	8,355	-	28,642	14,321
Gov. Activities Long-term Liabilities	\$ 20,287	\$ 8,355	\$ -	\$ 28,642	\$ 14,321

The compensated absences liabilities will be liquidated from the applicable fund where the expenditure occurred. The General Fund and special revenue funds are the applicable funds where expenditures are usually utilized to record compensated absences.

NOTE-9 INTERFUND RECEIVABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 21
	Special Revenue Funds	12,927
Total General Fund		12,948
Special Revenue Funds	General Fund	3,059
Total Special Revenue Funds		3,059
Trust and Agency Funds	General Fund	1,318
Total Trust and Agency Funds		1,318
Total		\$ 17,325

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the General Fund expects to collect in the subsequent year.

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2020 is as follows:

	<u>Transfer in to:</u>		
	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	
	General Fund - Regular	Agency Funds	Total
Transfer Out From:			
General Fund	\$ 25,075	\$ 127	\$ 25,202
Non-Major Gov. Funds	23,000	-	23,000
Total	<u>\$ 48,075</u>	<u>\$ 127</u>	<u>\$ 48,202</u>

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move General Fund resources to provide subsidies to other funds as needs arise, and 3) move resources to the internal service funds from the governmental funds to compensate for services received.

NOTE-10 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County purchases commercial insurance to reduce the exposure to these risks. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE-11 CONTINGENCIES

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-12 PRIOR PERIOD ADJUSTMENTS OF BEGINNING FUND BALANCE AND NET POSITION

Prior period adjustments were applied to beginning fund balance and net position during the year primarily as a result of the implementation of the modified-accrual basis of accounting. Other adjustments were made for needed corrections to the prior year. Restatements are detailed as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
	<u>Fund Balance</u>	<u>Net Position</u>
Fund Balance/Net Position as Previously Stated at 9/30/19	\$ 472,438	\$ 6,019,652
Retrospective recording of the following balances:		
TCDRS Payroll Liability	(11,275)	(11,275)
Cumulative Restatements	<u>(11,275)</u>	<u>(11,275)</u>
Fund Balance/Net Position as Restated at 9/30/19	<u>\$ 461,163</u>	<u>\$ 6,008,377</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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TERRELL COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		General Fund	Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Taxes	\$ 1,876,186	\$ 1,876,186	\$ 1,874,217	\$ (1,969)
General Sales and Use Taxes	158,000	158,000	89,967	(68,033)
Fines, Fees, and Permits	175,764	175,764	148,019	(27,745)
Charges for Services	359,500	359,500	406,964	47,464
Rent and Lease Income	-	3,000	8,875	5,875
Donations	-	3,130	8,130	5,000
Intergovernmental Revenues	136,734	141,734	136,338	(5,396)
Investment Income	11,350	11,350	7,921	(3,429)
Other Revenue	121,541	121,691	61,402	(60,289)
Total Revenues	2,839,075	2,850,355	2,741,833	(108,522)
EXPENDITURES				
Current:				
General Government	1,139,462	1,164,259	1,121,160	43,099
Public Safety	483,244	493,244	480,198	13,046
Justice System	193,588	204,588	161,525	43,063
Transportation	320,955	344,755	295,155	49,600
Culture and Recreation	79,174	82,304	70,793	11,511
Health and Human Services	767,687	767,687	599,084	168,603
Economic Development	10,000	10,000	5,944	4,056
Total Expenditures	2,994,110	3,066,837	2,733,859	332,978
Excess (Deficiency) of Revenue Over Expenditures	(155,035)	(216,482)	7,974	224,456
OTHER FINANCING SOURCES (USES)				
Transfers In	162,085	162,085	48,075	(114,010)
Transfers Out	(5,000)	(5,000)	(25,202)	(20,202)
Total Other Financing Sources (Uses)	157,085	157,085	22,873	(134,212)
Net Change in Fund Balance	2,050	(59,397)	30,847	90,244
Fund Balance - Beginning	472,438	472,438	472,438	-
Prior Period Adjustment	-	-	(11,275)	11,275
Fund Balance - Ending	\$ 474,488	\$ 413,041	\$ 492,010	\$ 78,969

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

TERRELL COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year		
	2019	2018	2017
Total Pension Liability			
Service Cost	\$ 146,347	\$ 150,880	\$ 172,586
Interest on Total Pension Liability	561,077	542,575	519,583
Effect of Plan Changes	-	-	-
Effect of Assumption Changes or Inputs	-	-	(17,233)
Effect of Economic/Demographic (Gains)/Losses	(56,979)	(22,528)	12,986
Benefit Payments/Refunds of Contributions	(484,262)	(393,456)	(371,679)
Net Change in Total Pension Liability	<u>166,183</u>	<u>277,471</u>	<u>316,243</u>
Total Pension Liability, Beginning	<u>7,017,951</u>	<u>6,740,479</u>	<u>6,424,236</u>
Total Pension Liability, Ending (a)	<u>7,184,135</u>	<u>7,017,950</u>	<u>6,740,479</u>
Fiduciary Net Position			
Employer Contributions	\$ 85,437	\$ 84,604	\$ 77,650
Member Contributions	60,679	62,852	63,961
Investment Income Net of Investment Expenses	1,122,434	(137,410)	947,784
Benefit Payments/Refunds of Contributions	(484,262)	(393,456)	(371,679)
Administrative Expenses	(5,792)	(5,488)	(4,807)
Other	(10,518)	(6,604)	(3,129)
Net Change in Fiduciary Net Position	<u>767,978</u>	<u>(395,502)</u>	<u>709,780</u>
Fiduciary Net Position, Beginning	<u>6,832,854</u>	<u>7,228,355</u>	<u>6,518,575</u>
Fiduciary Net Position, Ending (b)	<u>\$ 7,600,832</u>	<u>\$ 6,832,853</u>	<u>\$ 7,228,355</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (416,697)</u>	<u>\$ 185,097</u>	<u>\$ (487,876)</u>
Fiduciary Net Position as a % of Total Pension Liab.	105.80%	97.36%	107.24%
Pension Covered Payroll	\$ 1,213,581	\$ 1,257,045	\$ 1,279,228
Net Pension Liab./(Asset) as a % of Covered Payroll	-34.34%	14.72%	-38.14%

Measurement Year		
2016	2015	2014
\$ 293,652	\$ 263,344	\$ 257,689
510,621	486,113	446,760
(165,466)	(28,966)	-
(308,931)	(134,037)	(16,145)
-	60,515	-
(287,901)	(238,420)	(203,665)
<u>41,975</u>	<u>408,549</u>	<u>484,639</u>
<u>6,382,261</u>	<u>5,973,712</u>	<u>5,489,073</u>
<u>6,424,236</u>	<u>6,382,261</u>	<u>5,973,712</u>
\$ 231,120	\$ 239,735	\$ 229,417
107,797	111,727	106,072
444,728	(113,513)	368,683
(287,902)	(238,421)	(203,666)
(4,839)	(4,323)	(4,434)
24,785	15,592	(11,204)
<u>515,689</u>	<u>10,797</u>	<u>484,868</u>
<u>6,002,886</u>	<u>5,992,089</u>	<u>5,507,221</u>
<u>\$ 6,518,575</u>	<u>\$ 6,002,886</u>	<u>\$ 5,992,089</u>
<u>\$ (94,339)</u>	<u>\$ 379,375</u>	<u>\$ (18,377)</u>
101.47%	94.06%	100.31%
\$ 1,539,953	\$ 1,596,100	\$ 1,515,313
-6.13%	23.77%	-1.21%

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TERRELL COUNTY, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 205,099	\$ 239,735	\$ 34,636	\$ 1,596,100	15.02%
2016	192,494	231,120	38,626	1,539,953	15.01%
2017	111,677	111,677	-	1,297,228	8.61%
2018	81,774	81,774	-	1,243,539	6.58%
2019	87,218	87,218	-	1,232,449	7.08%
2020	89,828	89,828	-	1,210,032	7.42%

Only six years of information are currently available. This schedule will be fully completed over subsequent periods to display a ten year presentation.

Notes to the Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amort. Period	0.5 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%, 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	130% of the RP-2014 Health Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
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
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: Employer contributions reflect that the member contribution rate was decreased to 5% and the current service matching rate was decreased to 150%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule

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

TERRELL COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
GROUP TERM LIFE PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year		
	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 4,408	\$ 4,097	\$ 3,533
Interest on Total OPEB Liability	4,639	4,348	4,460
Effect of Assumption Changes or Inputs	31,104	(13,189)	4,941
Effect of Economic/Demographic (Gains)/Losses	(452)	(6,117)	(2,880)
Benefit Payments	(2,913)	(2,514)	(1,919)
Net Change in Total OPEB Liability	<u>36,786</u>	<u>(13,375)</u>	<u>8,135</u>
Total OPEB Liability, Beginning	110,173	123,548	115,413
Total OPEB Liability, Ending (a)	<u>\$ 146,959</u>	<u>\$ 110,173</u>	<u>\$ 123,548</u>
Pensionable Covered Payroll	\$1,213,581	\$1,257,045	\$1,279,228
Net OPEB Liability as a % of Covered Payroll	12.11%	8.76%	9.66%

TERRELL COUNTY, TEXAS
 SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFITS CONTRIBUTIONS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 GROUP TERM LIFE PROGRAM
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year Ending September 30,	Employer Contribution Rate Applicable to Retirees	Contributions	Pensionable Covered Payroll
2018	0.20%	\$ 2,232	\$ 1,243,539
2019	0.24%	2,514	1,232,449
2020	0.20%	2,913	1,210,032

Only three years of information are currently available. This schedule will be fully completed over subsequent periods to display a ten year presentation.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TERRELL COUNTY, TEXAS
 COMBINING BALANCE SHEET – SUB-GENERAL FUND DETAIL
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<i>010</i>	<i>020</i>	<i>030</i>	<i>040</i>
	SUB-GENERAL FUNDS			
	General Government	Road and Bridge Fund	Courthouse & Jail	Jury Fund
ASSETS				
Cash and Temporary Investments	\$ -	\$ 87,618	\$ -	\$ 22,578
Investments	524,145	6,882	901	1,861
Property Taxes Receivable	144,462	-	-	-
Allowance for Uncollectible Taxes	(14,446)	-	-	-
Accounts Receivable	12,853	-	-	-
Due from Other funds	12,948	3,059	-	-
Notes Receivable	6,500	-	-	-
Deferred Expenditures	7,866	-	-	-
Total Assets	\$ 694,328	\$ 97,559	\$ 901	\$ 24,439
LIABILITIES				
Accounts Payable	\$ 230,427	\$ -	\$ 80,896	\$ -
Payroll Deductions and Withholdings	8,803	2,521	686	32
Accrued Salaries and Wages	42,083	-	-	-
Due to Other Funds	4,377	-	-	-
Accrued Expenditures	4,799	-	-	-
Total Liabilities	290,489	2,521	81,582	32
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	130,016	-	-	-
Deferred Inflows - Unavailable Revenue #2	6,500	-	-	-
Total Deferred Inflows of Resources	136,516	-	-	-
FUND BALANCES				
Restricted for:				
Other Purposes	-	95,038	-	-
Committed for:				
Other Purposes	-	-	-	24,407
Unassigned	267,323	-	(80,681)	-
Total Fund Balances	267,323	95,038	(80,681)	24,407
Total Liabilities and Fund Balances	\$ 694,328	\$ 97,559	\$ 901	\$ 24,439

	041	050	060	
<u>SUB-GENERAL FUNDS</u>				
	Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$	4,389	\$ 13,522	\$ 11,515	\$ 139,622
	225	156,293	-	690,307
	-	-	-	144,462
	-	-	-	(14,446)
	-	-	-	12,853
	-	-	-	16,007
	-	-	-	6,500
	-	-	-	7,866
<u>\$</u>	<u>4,614</u>	<u>\$ 169,815</u>	<u>\$ 11,515</u>	<u>\$ 1,003,171</u>
\$	-	\$ -	\$ -	\$ 311,323
	-	-	-	12,042
	-	-	-	42,083
	-	-	21	4,398
	-	-	-	4,799
	-	-	21	374,645
	-	-	-	130,016
	-	-	-	6,500
	-	-	-	136,516
	-	-	-	95,038
	4,614	169,815	11,494	210,330
	-	-	-	186,642
	4,614	169,815	11,494	492,010
<u>\$</u>	<u>4,614</u>	<u>\$ 169,815</u>	<u>\$ 11,515</u>	<u>\$ 1,003,171</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 SUB-GENERAL FUND DETAIL
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>010</u>	<u>020</u>	<u>030</u>	<u>040</u>
	<u>SUB-GENERAL FUNDS</u>			
	General Government	Road and Bridge Fund	Courthouse & Jail	Jury Fund
REVENUES				
Property Taxes	\$ 1,305,017	\$ 288,442	\$ 267,638	\$ 13,120
General Sales and Use Taxes	89,967	-	-	-
Fines, Fees, and Permits	95,462	51,107	-	-
Charges for Services	405,524	924	-	-
Rent and Lease Income	6,000	-	-	-
Donations	8,130	-	-	-
Intergovernmental Revenues	102,214	21,093	-	13,031
Investment Income	7,921	-	-	-
Other Revenue	58,916	-	2,004	-
Total Revenues	<u>2,079,151</u>	<u>361,566</u>	<u>269,642</u>	<u>26,151</u>
EXPENDITURES				
Current:				
General Government	878,992	89,614	152,554	-
Public Safety	315,620	-	164,578	-
Justice System	143,760	-	8,238	9,527
Transportation	2,069	273,917	-	-
Culture and Recreation	70,793	-	-	-
Health and Human Services	599,084	-	-	-
Economic Development	5,944	-	-	-
Total Expenditures	<u>2,016,262</u>	<u>363,531</u>	<u>325,370</u>	<u>9,527</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>62,889</u>	<u>(1,965)</u>	<u>(55,728)</u>	<u>16,624</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	23,000	-	1,150	-
Transfers Out	(25,202)	-	-	-
Total Other Financing Sources (Uses)	<u>(2,202)</u>	<u>-</u>	<u>1,150</u>	<u>-</u>
Net Change in Fund Balance	60,687	(1,965)	(54,578)	16,624
Fund Balance-Beginning	214,640	99,407	(25,236)	7,783
Prior Period Adjustment	(8,004)	(2,404)	(867)	-
Fund Balance-Ending	<u>\$ 267,323</u>	<u>\$ 95,038</u>	<u>\$ (80,681)</u>	<u>\$ 24,407</u>

<i>041</i>	<i>050</i>	<i>060</i>	
<u>SUB-GENERAL FUNDS</u>			
Courthouse Security Fund	Contingency Fund	Airport Fund	Total Non- Major Funds
\$ -	\$ -	\$ -	\$ 1,874,217
-	-	-	89,967
1,450	-	-	148,019
516	-	-	406,964
-	-	2,875	8,875
-	-	-	8,130
-	-	-	136,338
-	-	-	7,921
-	-	482	61,402
<u>1,966</u>	<u>-</u>	<u>3,357</u>	<u>2,741,833</u>
-	-	-	1,121,160
-	-	-	480,198
-	-	-	161,525
-	-	19,169	295,155
-	-	-	70,793
-	-	-	599,084
-	-	-	5,944
<u>-</u>	<u>-</u>	<u>19,169</u>	<u>2,733,859</u>
<u>1,966</u>	<u>-</u>	<u>(15,812)</u>	<u>7,974</u>
-	-	23,925	48,075
-	-	-	(25,202)
<u>-</u>	<u>-</u>	<u>23,925</u>	<u>22,873</u>
1,966	-	8,113	30,847
2,648	169,815	3,381	472,438
-	-	-	(11,275)
<u>\$ 4,614</u>	<u>\$ 169,815</u>	<u>\$ 11,494</u>	<u>\$ 492,010</u>

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TERRELL COUNTY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS AND FIDUCIARY FUND DESCRIPTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Records Preservation Fund – Accounts for the restricted revenues and related expenditures from fines and fees revenue that are intended to assist the County in records preservation.

Historical Commission Fund – Accounts for the revenues and expenditures restricted for the preservation of items of historical significance in the County.

Visitor Center Fund – Accounts for operations at the County visitors center.

JP Tech Fund – Accounts for the revenues collected by the Justices of the Peace restricted for usage on technology expenditures.

Sheriff's Forfeiture Fund – Accounts for the forfeiture revenues and related expenditures that benefit the Sheriff's Department.

Local Border Security Grant – Accounts for the revenue and expenditures related to grants received for administering local border security.

Operation Stonegarden Fund – Accounts for the revenue and expenditures received for administering this federal grant program.

USDA Loan Fund – Accounts for economic development loans obtained from the USDA and awarded to entities within the County for economic development purposes.

Rural Grant Fund – Accounts for the revenues and expenditures intended for the growth of rural business in the County.

Debt Service Fund

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

TERRELL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<i>080</i>	<i>065</i>	<i>066</i>	<i>043</i>
	SPECIAL REVENUE FUNDS			
	Records Preservation Fund	Historical Commission	Visitors Center	JP Tech Fund
ASSETS				
Cash and Temporary Investments	\$ 21,696	\$ 3,724	\$ 2,340	\$ 4,140
Investments	537	7,099	-	-
Accounts Receivable	-	-	-	-
Total Assets	\$ 22,233	\$ 10,823	\$ 2,340	\$ 4,140
LIABILITIES				
Payroll Deductions and Withholdings	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Other Purposes	-	-	-	4,140
Committed for:				
Other Purposes	22,233	10,823	2,340	-
Total Fund Balances	22,233	10,823	2,340	4,140
Total Liabilities and Fund Balances	\$ 22,233	\$ 10,823	\$ 2,340	\$ 4,140

<i>151</i>	<i>120</i>	<i>153</i>	<i>154</i>	<i>056</i>	<i>059</i>	
SPECIAL REVENUE FUNDS					DEBT SVC.	
Operation Stone Garden - 2018	Operation Stone Garden - 2019	Local Border Security Program - 2020	Local Border Security Program - 2021	Tax Notes 2007	Debt Service Fund	Total Non- Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,504	\$ 36,404
-	-	-	-	1,209	-	8,845
-	9,811	1,777	2,218	-	-	13,806
<u>\$ -</u>	<u>\$ 9,811</u>	<u>\$ 1,777</u>	<u>\$ 2,218</u>	<u>\$ 1,209</u>	<u>\$ 4,504</u>	<u>\$ 59,055</u>
\$ -	\$ -	\$ -	\$ 880	\$ -	\$ -	\$ 880
-	9,811	1,777	1,338	-	-	12,926
-	9,811	1,777	2,218	-	-	13,806
-	-	-	-	-	4,504	4,504
-	-	-	-	1,209	-	1,209
-	-	-	-	-	-	4,140
-	-	-	-	-	-	35,396
-	-	-	-	1,209	4,504	45,249
<u>\$ -</u>	<u>\$ 9,811</u>	<u>\$ 1,777</u>	<u>\$ 2,218</u>	<u>\$ 1,209</u>	<u>\$ 4,504</u>	<u>\$ 59,055</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	080	065	066	043
	SPECIAL REVENUE FUNDS			
	Records Preservation Fund	Historical Commission	Visitors Center	JP Tech Fund
REVENUES				
Fines, Fees, and Permits	\$ 5,165	\$ -	\$ -	\$ 1,509
Charges for Services	4,427	150	-	-
Investment Income	-	-	-	-
Intergovernmental Revenues	174	60	-	-
Other Revenue	-	19	460	-
Total Revenues	<u>9,766</u>	<u>229</u>	<u>460</u>	<u>1,509</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Economic Development	-	-	2,837	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,837</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>9,766</u>	<u>229</u>	<u>(2,377)</u>	<u>1,509</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(20,000)	-	-	(3,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>
Net Change in Fund Balance	(10,234)	229	(2,377)	(1,491)
Fund Balance-Beginning	32,467	10,594	4,717	5,631
Fund Balance-Ending	<u>\$ 22,233</u>	<u>\$ 10,823</u>	<u>\$ 2,340</u>	<u>\$ 4,140</u>

<i>151</i>	<i>120</i>	<i>153</i>	<i>154</i>	<i>056</i>	<i>059</i>	
SPECIAL REVENUE FUNDS					DEBT SVC.	
Operation Stone Garden - 2018	Operation Stone Garden - 2019	Local Border Security Program - 2020	Local Border Security Program - 2021	Tax Notes 2007	Debt Service Fund	Total Non- Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,674
-	-	-	-	-	-	4,577
90,566	19,152	19,892	2,218	-	-	131,828
-	-	-	-	6	23	263
-	-	-	-	-	-	479
<u>90,566</u>	<u>19,152</u>	<u>19,892</u>	<u>2,218</u>	<u>6</u>	<u>23</u>	<u>143,821</u>
45,444	19,152	19,892	2,218	-	-	86,706
-	-	-	-	-	-	2,837
45,122	-	-	-	-	-	45,122
<u>90,566</u>	<u>19,152</u>	<u>19,892</u>	<u>2,218</u>	<u>-</u>	<u>-</u>	<u>134,665</u>
-	-	-	-	6	23	9,156
-	-	-	-	-	-	(23,000)
-	-	-	-	-	-	(23,000)
-	-	-	-	6	23	(13,844)
-	-	-	-	1,203	4,481	59,093
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ 4,504</u>	<u>\$ 45,249</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF NET POSITION-
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	85	92	
	<i>PRIVATE PURPOSE TRUST FUNDS</i>		
	Permanent School Fund	Cemetery Fund	Total Trust Funds
ASSETS			
Cash and Temporary Investments	\$ 2,129,315	\$ 37,102	\$ 2,166,417
Investments	19,628,975	56,047	19,685,022
Due from Other funds	1,317	-	1,317
Accrued Interest Receivable	-	443	443
Notes Receivable	370,001	-	370,001
Total Assets	22,129,608	93,592	22,223,200
LIABILITIES			
Total Liabilities	-	-	-
NET POSITION (DEFICITS)			
Restricted for Participants	22,129,608	93,592	22,223,200
Total Net Position	\$ 22,129,608	\$ 93,592	\$ 22,223,200

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF ACTIVITIES
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>85</u>	<u>92</u>	
	<u>PRIVATE PURPOSE TRUST FUNDS</u>		
	Permanent School Fund	Cemetery Fund	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Rent and Lease Income	\$ 111,656	\$ -	\$ 111,656
Donations	-	822	822
Total Contributions	<u>111,656</u>	<u>822</u>	<u>112,478</u>
Investment Earnings:			
Investment Income	226,993	2,702	229,695
Total Investment Income	<u>226,993</u>	<u>2,702</u>	<u>229,695</u>
TOTAL ADDITIONS	<u>338,649</u>	<u>3,524</u>	<u>342,173</u>
DEDUCTIONS			
Payments to Beneficiaries	308,601	-	308,601
Investment Fees	12,000	-	12,000
Repairs and Maintenance	-	10,661	10,661
Other Operating Costs	-	367	367
Total Expenses	<u>320,601</u>	<u>11,028</u>	<u>331,629</u>
Increase (Decrease) in Net Position	18,048	(7,504)	10,544
Net Position - Beginning	22,111,560	101,096	22,212,656
Net Position - Ending	<u>\$ 22,129,608</u>	<u>\$ 93,592</u>	<u>\$ 22,223,200</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF ADDITIONS AND DEDUCTIONS
 AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Tax Assessor/Collector				
Assets:				
Cash and Investments	\$ 4,136	\$ 88,999	\$ 90,395	\$ 2,740
Liabilities:				
Due to Others	\$ 4,136	\$ 88,999	\$ 90,395	\$ 2,740
Clerk Case Account				
Assets:				
Cash and Investments	\$ 8,971	\$ 9,629	\$ 7,994	\$ 10,606
Liabilities:				
Due to Others	\$ 8,971	\$ 9,629	\$ 7,994	\$ 10,606
Clerk Fee Account				
Assets:				
Cash and Investments	\$ 2,276	\$ 40,801	\$ 41,937	\$ 1,140
Liabilities:				
Due to Others	\$ 2,276	\$ 40,801	\$ 41,937	\$ 1,140
Clerk Bond Account				
Assets:				
Cash and Investments	\$ 14,665	\$ -	\$ 320	\$ 14,345
Liabilities:				
Due to Others	\$ 14,665	\$ -	\$ 320	\$ 14,345
Clerk Trust Account				
Assets:				
Cash and Investments	\$ 9,994	\$ 104	\$ -	\$ 10,098
Liabilities:				
Due to Others	\$ 9,994	\$ 104	\$ -	\$ 10,098
Sheriff Commissary				
Assets:				
Cash and Investments	\$ 328	\$ -	\$ 328	\$ -
Liabilities:				
Due to Others	\$ 328	\$ -	\$ 328	\$ -

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Sheriff's Forfeiture Fund				
Assets:				
Cash and Investments	\$ 59,457	\$ 1,011	\$ 56,495	\$ 3,973
Liabilities:				
Due to Others	\$ 59,457	\$ 1,011	\$ 56,495	\$ 3,973
Sheriff's Comptroller Education Account				
Assets:				
Cash and Investments	\$ -	\$ 2,305	\$ -	\$ 2,305
Liabilities:				
Due to Others	\$ -	\$ 2,305	\$ -	\$ 2,305
JP Pct. 1 & 2				
Assets:				
Cash and Investments	\$ 7,236	\$ 66,697	\$ 59,954	\$ 13,979
Liabilities:				
Due to Others	\$ 7,236	\$ 66,697	\$ 59,954	\$ 13,979
JP Pct. 3 & 4				
Assets:				
Cash and Investments	\$ 2,861	\$ 47,314	\$ 42,149	\$ 8,026
Liabilities:				
Due to Others	\$ 2,861	\$ 47,314	\$ 42,149	\$ 8,026
TOTALS				
Assets:				
Cash and Investments	\$ 109,924	\$ 256,860	\$ 299,572	\$ 67,212
Liabilities:				
Due to Others	\$ 109,924	\$ 256,860	\$ 299,572	\$ 67,212

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GOVERNMENT AUDITING STANDARDS SECTION

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

Honorable County Judge and Members of the Commissioners Court
Terrell County, 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 the County, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 20, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we consider to be a material weaknesses. This matter is described in the accompanying schedule of findings and questioned costs as item 2020-001. In addition, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

August 20, 2021

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under guidelines of the Federal *Uniform Guidance*, a Single Audit was not required due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2020-001 Accounting and Financial Reporting

Criteria: Counties are required by state law to issue external financial statements on an annual basis in order to provide information to the public and to the state and federal governments regarding the County’s finances. In addition, a county needs current and accurate information available from its accounting system at all times in order to provide for the effective management of daily financial matters and to ensure proper accountability and security of all funds.

Condition Found: During the year, the County did not keep its bookkeeping and accounting information current on a monthly basis. It was noted during the audit that key accounting procedures such as bank and investment reconciliations were not completed until a significant number of months after the fiscal year-end. In addition, the financial audit resulted in several accounting adjustments that were needed to prepare the County’s financial records for accurate reporting in the external financial statements.

Cause: Terrell County is a small county without the appointed County Auditor position which is often found in larger Texas counties. As a result, the accounting and financial reporting responsibilities fall on the Treasurer’s Office, as it does in most small counties.

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-001 Accounting and Financial Reporting (Continued)

Cause: (Continued) These increased responsibilities for Treasurers of small counties require that either the County Treasurer or someone within the County Treasurer's office possess specialized governmental accounting skills in order to meet the internal and external financial reporting requirements of their county. As a result of similar accounting deficiencies being reported in the prior year audit, the Treasurer's Office attempted to outsource the higher level accounting tasks to a certified public accounting (CPA) firm. However, outsourcing these accounting tasks did not produce the desired results because the CPA firm was unable to provide their services timely.

Effect: The noted accounting deficiencies resulted in not having current and accurate accounting information available for both internal and external reporting needs, neither as the year progressed, nor for the regularly scheduled time of the year-end financial audit.

Recommendation: We recommend that the Treasurer's Office discontinue contracting with the current CPA firm utilized for accounting and bank reconciliation assistance as that firm was unable to provide their services timely. A better solution may be to find qualified assistance either locally or within a geographical range that would allow for regular monthly onsite visits to occur. The current CPA firm is in Fort Worth so onsite visits were problematic.

Prior year financial statement findings as required to be restated with current status:

2019-001 Bank and Investment Account Reconciliations

Criteria: The bank and investment accounts per the County's general ledger accounting system should be reconciled to the corresponding bank or investment account statements in a timely manner each month in order to detect possible accounting errors and to ensure proper accountability and handling of all County funds.

Condition Found: During the audit, it was noted that the bank and investment accounts of the County had not been reconciled each month as the fiscal year progressed. The bank reconciliations were ultimately completed before the audit began, but after the fiscal year had already ended. In addition, the investment accounts were not reconciled during the year, or by the time the audit began. Significant audit adjustments were required to set the investment account balances to accurate amounts. This condition has been classified as a material weakness in internal controls over cash and investments.

Cause: This condition was primarily caused by two factors. First, there was a changeover of the Treasurer position during the year with no transition coordination and training between the outgoing Treasurer and incoming Treasurer. Second, the financial accounting software utilized by the Treasurer's office is outdated and the software vendor now only provides limited support and training.

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect: The effect of this condition existing throughout the course of the fiscal year is County funds were not verified in a timely manner to detect possible accounting errors and to ensure proper accountability and handling of all County funds. As a result, many accounting corrections were required to be made during the audit.

Current Status: During the FY20 audit, we noted some improvements, however the main operating bank account was still not reconciled timely throughout the year and was not available for the regularly scheduled time of the year-end audit. This issue has been incorporated into the issue described in finding 2020-001 for the current year.

Contact Person: Rebecca Lucvano, County Treasurer

2019-002 Accounting and Financial Reporting

Criteria: Each year, counties issue external financial statements as required by state law to provide information to the public and to state and federal agencies regarding the County's finances. In addition, counties rely on internal financial reports on a regular basis to properly monitor ongoing financial and budgetary matters.

Condition Found: The results of the audit indicated that during the year, needed accounting analysis of the various asset, liability, revenue, and expenditure accounts did not occur at a sufficient enough level in order to provide accurate internal financial reports for use on a monthly basis to monitor the County's finances. In addition, the general ledger subjected to the audit required excessive audit adjusting entries in order to accurately state the County's financial statements for external reporting. The needed correcting entries were more prevalent within the areas of the accounting for grants and investments. This condition has been classified as a material weakness in the internal controls over financial reporting.

Cause: Terrell County is a small county without the appointed County Auditor position which is often found in larger Texas counties. As a result, the accounting and financial reporting responsibilities fall on the Treasurer's office, as it does in most small counties. These increased responsibilities for Treasurers of small counties require that either the County Treasurer or someone within the County Treasurer's office possess specialized governmental accounting skills in order to meet the internal and external financial reporting requirements of their county. Currently the Treasurer's office needs to obtain the required governmental accounting skills either through additional training or through outsourcing with a skilled governmental accountant.

Effect: The noted accounting deficiencies resulted in accurate accounting for both internal and external needs not being produced during the year.

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Current Status: During the FY20 audit, we noted that issues with accounting and financial reporting continue to persist and are still not completed in a timely manner as noted in finding 2020-001.

Contact Person: Rebecca Luevano, County Treasurer

2019-003 Investment of County Funds

Criteria: County funds, including those of the Permanent School Fund overseen by the County, should be invested in accordance with the Terrell County Investment Policy. One component of the County Investment Policy is that County funds be invested to earn the maximum return while also giving full respect to safety and liquidity objectives.

Condition Found: During the audit it was noted that funds received from matured investments were not being reinvested in a timely manner, resulting in loss of potential investment returns on the reinvestment of those same funds. This condition has been classified as a significant deficiency in the internal controls over investments.

Cause: Proper monitoring of the investment accounts, including the investment clearing account, was not conducted during the year.

Effect: Investment returns on a portion of the funds in the Permanent School Fund were not realized to their full potential.

Current Status: This issue appears to have been resolved in the current year.

Contact Person: Rebecca Luevano, County Treasurer

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with the Federal Uniform Guidance:

Not Applicable.

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REBECCA LUEVANO

Terrell County Treasurer

P.O. BOX 380

SANDERSON, TX 79848

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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2020-001 Accounting and Financial Reporting

Corrective Action Planned:

Going forward the Treasurer's Office is committed to dedicating an increased effort to assure a more proficient accountability due to my office feeling as though the CPA bookkeeping firm is unable to provide their services in a timely fashion. We are committed to doing in-house monthly reconciliations. This we feel will be beneficial with our submission to the external auditing firm.

Anticipated Completion Date: Ongoing

Contact Person: Rebecca Luevano, County Treasurer

