

TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditors' Report ·····	1
Management's Discussion and Analysis ·····	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position ·····	18
Statement of Activities ·····	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds ·····	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ···	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds ·····	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities ·····	25
Statement of Fiduciary Net Position – Fiduciary Funds ·····	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds ·····	27
Notes to the Financial Statements ·····	31
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund ·····	55
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System ·····	56
Schedule of Employer Pension Contributions – Texas County & District Retirement System ···	57
Schedule of Changes in Net OPEB Liability and Related Ratios – Texas County & District Retirement System Group Term Life Program ·····	58
Schedule of Employer Other Post-Employment Benefits Contributions – Texas County & District Retirement System Group Term Life Program ·····	59
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Sub-General Fund Detail ·····	62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Sub-General Fund Detail ·····	64
Non-Major Governmental Fund and Fiduciary Fund Descriptions ·····	67
Combining Balance Sheet – Non-major Governmental Funds ·····	68
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds ·····	72
Combining Schedule of Net Position – Private Purpose Trust Funds ·····	76
Combining Schedule of Activities – Private Purpose Trust Funds ·····	77
Combining Schedule of Additions and Deductions – Agency Funds ·····	78
OTHER SUPPLEMENTARY INFORMATION SECTION	
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 <i>Government Auditing Standards</i> ·····	83
Schedule of Findings and Questioned Costs ·····	87
Corrective Action Plan ·····	93

FINANCIAL SECTION

THIS PAGE IS INTENTIONALLY BLANK.



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, 2019, 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, 2019, 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.

THIS PAGE IS INTENTIONALLY BLANK.

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 May 26, 2020 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

May 26, 2020

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

As management of the 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, 2019.

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 \$6,019,652 (*net position*). Of this amount, \$878,592 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 \$387,595 as a result of current operations, primarily as a result of depreciation expense recorded on the County's assets.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$790,062, which reflects an increase of \$208,699 from operations in comparison with the prior year. Approximately 46% of this amount, or \$359,218 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 \$359,218, which reflected 12% 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).

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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*).

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 18-19 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 sixteen 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 fourteen 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 33 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 22-25 of this report.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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 26-27 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 31-51 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 55-59 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 62-79 of this report.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 \$6,019,652 at the close of the most recent fiscal year.

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 2019	Governmental Activities 2018	Change
ASSETS			
Current & Other Assets	\$ 1,343,557	\$ 1,711,551	\$ (367,994)
Capital Assets	4,771,806	4,905,570	(133,764)
Total Assets	6,115,363	6,617,121	(501,758)
DEFERRED OUTFLOWS			
Deferred Outflows	529,088	79,455	449,633
TOTAL ASSETS AND DEFERRED OUTFLOWS	6,644,451	6,696,576	(52,125)
LIABILITIES			
Current Liabilities	255,741	24,944	230,797
Long-term Liabilities	315,557	141,914	173,643
Total Liabilities	571,298	166,858	404,440
DEFERRED INFLOWS			
Deferred Inflows	53,501	218,515	(165,014)
TOTAL LIABILITIES AND DEFERRED OUTFLOWS	624,799	385,373	239,426
NET POSITION			
Investment in Capital Assets, net of Related Debt	4,771,806	5,092,082	(320,276)
Restricted	369,254	319,665	49,589
Unrestricted	878,592	899,456	(20,864)
Total Net Position	\$ 6,019,652	\$ 6,311,203	\$ (291,551)

A portion of the County's net position, or 79.3%, 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.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

An additional portion of the County's net position, or 6.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$878,592 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.

The County's overall net position decreased by \$387,595 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 \$387,595 from the prior fiscal year for an ending balance of \$6,019,652. The decrease in net position of governmental activities is primarily the result of depreciation recorded on the County's capital assets during the year.

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

	Governmental Activities 2019	Governmental Activities 2018	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 618,239	\$ 448,485	\$ 169,754
Operating Grants & Contributions	297,972	320,478	(22,506)
General Revenues:			
Property Taxes	1,825,490	2,073,682	(248,192)
General Sales and Use Taxes	251,603	207,017	44,586
Investment Earnings	22,839	31,611	(8,772)
Miscellaneous	140,680	37,916	102,764
Total Revenue	<u>3,156,823</u>	<u>3,119,189</u>	37,634
Expenses:			
General Government	1,330,413	1,395,335	(64,922)
Public Safety	710,222	689,788	20,434
Judicial System	233,979	219,899	14,080
Transportation	340,684	381,842	(41,158)
Culture and Recreation	83,504	93,958	(10,454)
Health and Human Services	761,960	801,064	(39,104)
Economic Development	17,696	50,295	(32,599)
Interest on Long-Term Debt	-	1,075	(1,075)
Total Expenses	<u>3,478,458</u>	<u>3,633,256</u>	(154,798)
Special Item - Return of USDA Funds	(65,960)	-	(65,960)
Increase (Decrease) in Net Position	<u>(387,595)</u>	<u>(514,067)</u>	126,472
Net Position - Beginning	6,311,203	6,825,270	(514,067)
Prior Period Adjustment	96,044	-	96,044
Net Position - Ending	<u>\$ 6,019,652</u>	<u>\$ 6,311,203</u>	<u>\$ (291,551)</u>

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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, 2019, the County's governmental funds reported combined fund balances of \$790,062, an increase of \$208,699 in comparison with the prior year. Of this amount, \$359,218 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 \$369,254, 4) committed for particular purposes \$61,590, 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 \$359,218, while total fund balance increased to \$472,438. 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 12% of total General Fund expenditures, while total fund balance represents approximately 16% of that same amount.

The fund balance of the County's General Fund increased by \$196,680 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 \$73,091 increase in fund balance during the current fiscal year resulting in an ending fund balance of \$258,531. 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.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2019, amounted to \$4,771,806 (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% was the result of current year depreciation expense.

**Terrell County, Texas
Capital Assets**

	Governmental Activities 2019	Governmental Activities 2018	Change
Land	\$ 186,512	\$ 186,512	\$ -
Buildings	4,140,220	4,140,220	-
Furniture and Equipment	3,853,979	3,748,252	105,727
Infrastructure	3,719,764	3,719,764	-
Total	<u>11,900,475</u>	<u>11,794,748</u>	<u>105,727</u>
Less Accumulated Depreciation	<u>(7,128,669)</u>	<u>(6,702,666)</u>	<u>(426,003)</u>
Capital Assets, net of Depreciation	<u>\$ 4,771,806</u>	<u>\$ 5,092,082</u>	<u>\$ (320,276)</u>

Additional information on the County's capital assets can be found in Note 4 on page 40 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 49 of this report.

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the County and were considered in developing the 2019-2020 fiscal year budget:

- Declines in taxable property value within the County and the resulting decreases in property tax assessments will continue to affect the County's budget.
- The County adopted an expenditures budget for the General Fund for the 2019-2020 fiscal year in the amount of \$2,999,110. This reflects a decrease of approximately \$73,000 from the previous year's adopted budget.
- Property tax rates for the 2019-2020 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.

THIS PAGE IS INTENTIONALLY BLANK.

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY BLANK.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Primary Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 354,269
Investments	655,889
Property Taxes Receivable	131,701
Allowance for Uncollectible Taxes	(13,170)
Accounts Receivable	202,368
Notes Receivable	12,500
Capital Assets not Being Depreciated:	
Land	186,512
Capital Assets, Being Depreciated	
Buildings and Improvements	4,140,220
Infrastructure	3,719,764
Machinery, Equipment, and Vehicles	3,853,979
Accumulated Depreciation	(7,128,669)
Total Assets	6,115,363
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Items	523,908
Other Post-Employment Benefit Items	5,180
Total Deferred Outflows of Resources	529,088
LIABILITIES	
Accounts Payable	197,047
Payroll Deductions and Withholdings	793
Accrued Salaries and Wages	30,195
Due to Fiduciary Funds	1,318
Accrued Expenditures	3,555
Unearned Revenues	23,333
Long-Term Liabilities:	
Other Long-Term Debt	20,287
Net Pension Liability	185,097
Other Post-Employment Benefits Liability	110,173
Total Liabilities	571,298
DEFERRED INFLOWS OF RESOURCES	
Long-Term Lease Receivable	12,500
Pension Plan Items	23,636
Other Post-Employment Benefit Items	17,365
Total Deferred Inflows of Resources	53,501
NET POSITION	
Net Investment in Capital Assets	4,771,806
Restricted for Capital Projects	1,203
Restricted for Debt Service	4,481
Restricted for Other Purposes	363,570
Unrestricted	878,592
Total Net Position	\$ 6,019,652

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, 2019

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,330,413	\$ 154,958	\$ 63,656	\$ (1,111,799)
Public Safety	710,222	74,673	182,103	(453,446)
Judicial System	233,979	44,698	408	(188,873)
Transportation	340,684	3,000	21,135	(316,549)
Culture and Recreation	83,504	5,227	-	(78,277)
Health and Human Services	761,960	335,683	30,670	(395,607)
Economic Development	17,696	-	-	(17,696)
Total Governmental Activities:	\$ 3,478,458	\$ 618,239	\$ 297,972	(2,562,247)
General Revenues:				
				1,825,490
				251,603
				22,839
				140,680
				<u>2,240,612</u>
				Change in Net Position Before Special Items (321,635)
Special Items:				
				Return of USDA Loan Funds (65,960)
				<u>Change in Net Position (387,595)</u>
				Net Position - Beginning 6,311,203
				<u>Prior Period Adjustments 96,044</u>
				<u>Net Position - Ending \$ 6,019,652</u>

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

THIS PAGE IS INTENTIONALLY BLANK.

FUND BASIS FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<i>0-12</i>			
	General Fund	Venue Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Temporary Investments	\$ 116,577	\$ 186,616	\$ 51,076	\$ 354,269
Investments	584,209	62,905	8,775	655,889
Property Taxes Receivable	131,701	-	-	131,701
Allowance for Uncollectible Taxes	(13,170)	-	-	(13,170)
Accounts Receivable	18,331	9,166	8,148	35,645
Due from Other funds	11,228	-	-	11,228
Notes Receivable	12,500	-	-	12,500
Total Assets	\$ 861,376	\$ 258,687	\$ 67,999	\$ 1,188,062
LIABILITIES				
Accounts Payable	\$ 196,133	\$ 156	\$ 758	\$ 197,047
Payroll Deductions and Withholdings	293	-	-	293
Accrued Salaries and Wages	30,195	-	-	30,195
Due to Other Funds	4,398	-	8,148	12,546
Accrued Expenditures	3,555	-	-	3,555
Unearned Revenues	23,333	-	-	23,333
Total Liabilities	257,907	156	8,906	266,969
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows-Property Taxes	118,531	-	-	118,531
Deferred Inflows-Unavailable Revenue	12,500	-	-	12,500
Total Deferred Inflows of Resources	131,031	-	-	131,031
FUND BALANCES (DEFICITS)				
Restricted for:				
Debt Service	-	-	4,481	4,481
Capital Projects	-	-	1,203	1,203
Other Purposes	99,407	258,531	5,631	363,569
Committed for:				
Other Purposes	13,812	-	47,778	61,590
Unassigned	359,219	-	-	359,219
Total Fund Balances	472,438	258,531	59,093	790,062
Total Liabilities and Fund Balances	\$ 861,376	\$ 258,687	\$ 67,999	\$ 1,188,062

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, 2019

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

Total Fund Balances - Governmental Funds		\$ 790,062
<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	11,900,475	
Less accumulated depreciation	<u>(7,128,669)</u>	4,771,806
<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	(185,097)	
Deferred outflows related to pensions	523,908	
Deferred inflows related to pensions	(23,636)	
Other post-employment benefits liability	(110,173)	
Deferred outflows related to other post-employment benefits	5,180	
Deferred inflows related to other post-employment benefits	<u>(17,365)</u>	192,817
<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>		
		118,532
<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	<u>(20,287)</u>	(20,287)
<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>\$ 6,019,652</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, 2019

	042			
	General Fund	Venue Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,999,985	\$ -	\$ -	\$ 1,999,985
General Sales and Use Taxes	170,288	81,315	-	251,603
Fines, Fees, and Permits	197,701	-	9,953	207,654
Charges for Services	380,864	-	20,721	401,585
Rent and Lease Income	9,000	-	-	9,000
Intergovernmental Revenues	140,079	-	157,892	297,971
Investment Income	20,557	1,151	1,132	22,840
Other Revenue	139,722	-	958	140,680
Total Revenues	<u>3,058,196</u>	<u>82,466</u>	<u>190,656</u>	<u>3,331,318</u>
EXPENDITURES				
Current:				
General Government	1,136,737	-	1,229	1,137,966
Public Safety	519,685	-	84,877	604,562
Justice System	180,308	-	-	180,308
Transportation	283,831	-	-	283,831
Culture and Recreation	71,853	-	-	71,853
Health and Human Services	656,944	-	4	656,948
Economic Development	6,089	9,375	-	15,464
Capital Outlay	32,712	-	73,015	105,727
Total Expenditures	<u>2,888,159</u>	<u>9,375</u>	<u>159,125</u>	<u>3,056,659</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>170,037</u>	<u>73,091</u>	<u>31,531</u>	<u>274,659</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	45,773	-	130	45,903
Transfers Out	(19,130)	-	(26,773)	(45,903)
Other Uses	-	-	(65,960)	(65,960)
Total Other Financing Sources (Uses)	<u>26,643</u>	<u>-</u>	<u>(92,603)</u>	<u>(65,960)</u>
Net Change in Fund Balance	196,680	73,091	(61,072)	208,699
Fund Balance - Beginning	326,321	181,510	167,396	675,227
Prior Period Adjustment	(50,563)	3,930	(47,231)	(93,864)
Fund Balance - Ending	<u>\$ 472,438</u>	<u>\$ 258,531</u>	<u>\$ 59,093</u>	<u>\$ 790,062</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, 2019

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

Net Change in Fund Balances - Total Governmental Funds		\$ 208,699
<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	105,727	
Less current year depreciation	<u>(426,003)</u>	(320,276)
<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	<u>(1,921)</u>	(1,921)
<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>		
		(174,494)
<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	(74,450)	
Current year other post-employment benefits expense	<u>(1,967)</u>	(76,417)
<p>Court receivables for fines and fees are longer-term in nature due to their high uncollectibility percentage and have therefore only been recorded at the government-wide financial statement level. This amount represents current year collections on these amounts.</p>		
		<u>(23,186)</u>
Change in Net Position- Governmental Activities		<u>\$ (387,595)</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, 2019

	Fiduciary Funds	
	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 4,037,505	\$ 109,924
Investments	17,734,932	-
Due from Other Funds	1,318	-
Notes Receivable	440,000	-
Total Assets	22,213,755	109,924
LIABILITIES		
Due to Others	-	109,924
Total Liabilities	-	\$ 109,924
NET POSITION		
Restricted for Participants	\$ 22,212,656	

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, 2019

	Fiduciary Funds
	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Rent and Lease Income	\$ 111,656
Donations	832
Other Revenue	5,309,291
Total Contributions	5,421,779
Investment Earnings:	
Investment Income	373,763
Total Investment Income	373,763
TOTAL ADDITIONS	5,795,542
DEDUCTIONS	
Payments to Beneficiaries	326,784
Investment Fees	12,000
Repairs and Maintenance	13,158
Total Expenses	351,942
Increase (Decrease) in Net Position	5,443,600
Net Position - Beginning	16,769,056
Net Position - Ending	\$ 22,212,656

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

THIS PAGE IS INTENTIONALLY BLANK.

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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.

Capital Projects Funds account for the funds held for purpose of acquisition and construction of major capital facilities or capital improvement, often those financed with bonded debt or state and federal grants.

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.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2018, upon which the levy for the 2018-2019 fiscal year was based, was \$253,151,291. 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, 2019, to finance County operations was \$0.80 per \$100 valuation. The total County tax levy for the 2018-2019 fiscal year was \$2,025,210. Tax collections on the current levy for the year ended September 30, 2019, were 99% of the year end adjusted tax levy.

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.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019, the County's combined bank balances at its depository bank, Pecos County State Bank, including certificates of deposit, were \$4,910,154, and of that amount \$500,000 was covered by FDIC insurance and the remaining amount was covered by pledged collateral. In addition, FDIC and pledged securities coverage was adequate at all times during the year.

Investments

As of September 30, 2019, 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	\$ 187,161	\$ -	\$ -	\$ -	\$ 187,161
TexStar Government Pool	58,666	-	-	-	58,666
TexPool Investment Pool	410,064	-	-	-	410,064
Total Governmental Funds	<u>\$ 655,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 655,891</u>
Fiduciary Funds:					
Certificates of Deposit	\$ 4,350,892	\$ -	\$ -	\$ -	\$ 4,350,892
Marketable Securities	9,167,000	-	-	-	9,167,000
LoneStar Government Pool	190,741	-	-	-	190,741
TexStar Government Pool	3,709,115	-	-	-	3,709,115
TexPool Investment Pool	317,182	-	-	-	317,182
Total Fiduciary Funds	<u>\$ 17,734,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,734,930</u>

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, 2019 was AAAM.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019, 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. Below 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:

Governmental Funds:

Receivables	General Fund	Venuc Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 131,701	\$ -	\$ -	\$ 131,701
Accounts Receivable	18,331	9,166	8,148	35,645
Notes Receivable	12,500	-	-	12,500
Gross Receivables	162,532	9,166	8,148	179,846
Allowance for Uncollectible	(13,170)	-	-	(13,170)
Net Receivables	<u>\$ 149,362</u>	<u>\$ 9,166</u>	<u>\$ 8,148</u>	<u>\$ 166,676</u>

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-4 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019, was as follows:

Governmental Activities:

	Balance 10/1/18	Increases	Decreases	Balance 9/30/19
Capital Assets, Not Being Depreciated:				
Land	\$ 186,512	\$ -	\$ -	\$ 186,512
Total Capital Assets, Not Being Depreciated	186,512	-	-	186,512
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,140,220	-	-	4,140,220
Machinery and Equipment	3,748,252	105,727	-	3,853,979
Infrastructure	3,719,764	-	-	3,719,764
Total Capital Assets, Being Depreciated	11,608,236	105,727	-	11,713,963
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,902,779)	(98,760)	-	(2,001,539)
Machinery and Equipment	(3,335,960)	(185,382)	-	(3,521,342)
Infrastructure	(1,463,927)	(141,861)	-	(1,605,788)
Total Accumulated Depreciation	(6,702,666)	(426,003)	-	(7,128,669)
Total Capital Assets Being Depreciated, Net	4,905,570	(320,276)	-	4,585,294
Governmental Activities Capital Assets, Net	\$ 5,092,082	\$ (320,276)	\$ -	\$ 4,771,806

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

General Government	\$ 164,280
Public Safety	87,276
Judicial System	26,030
Transportation	40,974
Culture and Recreation	10,373
Health and Human Services	94,838
Economic Development	2,232
Total Depreciation Expense - Governmental Activities	<u>\$ 426,003</u>

NOTE-5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities reported by governmental and proprietary funds at September 30, 2019, were as follows:

	General Fund	Venue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts Payable	\$ 196,133	\$ 156	\$ 758	\$ 197,047
Payroll Deductions	293	-	-	293
Accrued Salaries & Wages	30,195	-	-	30,195
Accrued Expenditures	3,555	-	-	3,555
Total	<u>\$ 230,176</u>	<u>\$ 156</u>	<u>\$ 758</u>	<u>\$ 231,090</u>

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 comprehensive annual financial report (CAFR) on a calendar year basis.

This CAFR 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.

Membership Information

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Members	12/31/2017	12/31/2018
Number of Inactive Employees Entitled to but not yet Receiving Benefits:	65	61
Number of Active Employees	44	47
Average Monthly Salary:*	\$ 2,433	\$ 2,328
Average Age:*	48.89	49.10
Average Length of Service in Years:*	8.55	7.70
<hr/>		
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of Benefit Recipients:	31	35
Average Monthly Benefit:	\$ 979	\$ 1,107

*Averages Reported for Active Employees.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2018 and 2019.

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, 2018 and 2019 of 6.72% and 7.04%, 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, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The TPL in the December 31, 2018 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 following table:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	10.5%	5.40%
Private Equity	Cambridge Assoc. Global Priv. Eq. & Venture Cap. Index	18.0%	8.40%
Global Equities	MSCI World (net) Index	2.5%	5.70%
Int'l Equities-Developed Mkts	MSCI World Ex USA (net)	10.0%	5.40%
Int'l Equities-Emerging Mkts	MSCI Emerging Markets (net) Index	7.0%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.0%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.0%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.0%	7.95%
Distressed Debt	Cambridge Assoc. Distressed Securities Index	2.0%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.0%	4.15%
Master Limited Partnerships	Alerian MLP Index	3.0%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.0%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Composite Index	13.0%	3.90%
		100%	

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. 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 8.1%, 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, 7.1%, or 1-percentage-point higher, 9.1%, than the current rate:

	Discount Rate (7.10%)	Discount Rate (8.10%)	Discount Rate (9.10%)
Total Pension Liability	\$ 7,781,976	\$ 7,017,951	\$ 6,367,093
Fiduciary Net Position	6,832,854	6,832,854	6,832,854
Net Pension Liability/(Asset)	\$ 949,122	\$ 185,097	\$ (465,761)

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.

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, 2017	\$ 6,740,479	\$ 7,228,355	\$ (487,876)
Changes for the Year:			
Service Cost	150,880	-	150,880
Interest on Total Pension Liability	542,575	-	542,575
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains/Losses	(22,528)	-	(22,528)
Effect of Assump. Changes or Inputs	-	-	-
Refund of Contributions	(24,359)	(24,359)	-
Benefit Payments	(369,096)	(369,096)	-
Administrative Expenses	-	(5,488)	5,488
Member Contributions	-	62,852	(62,852)
Net Investment Income	-	(137,410)	137,410
Employer Contributions	-	84,604	(84,604)
Other	-	(6,604)	6,604
Balances as of December 31, 2018	\$ 7,017,951	\$ 6,832,854	\$ 185,097

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

For the year ended September 30, 2019, the County recognized pension expense of (\$74,450).

At September 30, 2019, 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	\$ -	\$ 23,636
Changes of Assumptions	6,493	-
Net Difference Between Projected and Actual Investment Earnings	451,943	-
Contributions Made Subsequent to the Measurement Date	65,472	-
Total	\$ 523,908	\$ 23,636

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
2019	\$ 178,608
2020	56,977
2021	56,685
2022	142,530
2023	-
Thereafter	-

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.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Members	12/31/2017	12/31/2018
Number of Inactive Employees Entitled to but not yet Receiving Benefits (1):	17	16
Number of Active Employees:	44	47
Average Age of Active Employees:	48.89	49.10
Average Length of Service in Years for Active Employees:	8.55	7.70
<hr/>		
Inactive Employees Receiving Benefits (1)		
Number of Benefit Recipients (1):	23	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.

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 2018. 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	2018	
	GTL Rate	Amount
Active Member GTL Benefit	0.27%	\$ 3,394
Retiree GTL Benefit	0.20%	2,514

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.

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

	<u>12/31/2017</u>	<u>12/31/2018</u>
Total OPEB Liability	\$123,548	\$110,173

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	4.10%
	20-year Bond GO Index published by bondbuyer.com as of 12/27/18
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

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 4.10% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

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 4.1%, 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, 3.1%, or 1-percentage-point higher, 5.1%, than the current rate:

	1% Decrease	Current	1% Increase
Discount Rate	3.10%	4.10%	5.10%
Total OPEB Liability	\$ 131,098	\$ 110,173	\$ 93,923

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2017	\$ 123,548
Changes for the Year:	
Service Cost	4,097
Interest on Total OPEB Liability (1)	4,348
Changes in Benefit Terms (2)	-
Effect of Economic/Demographic Experience	(6,117)
Effect of Assumptions Changes or Inputs (3)	(13,189)
Benefit Payments	(2,514)
Balances as of December 31, 2018	\$ 110,173

OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended September 30, 2019, the County recognized OPEB expense of (\$1,967).

At September 30, 2019, 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	\$ -	\$ 6,814
Changes of Assumptions	3,294	10,551
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Made Subsequent to the Measurement Date	1,886	-
Total	\$ 5,180	\$ 17,365

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
2019	\$ (3,517)
2020	(3,517)
2021	(3,517)
2022	(3,520)
2023	-
Thereafter	-

TERRELL COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-8 LONG-TERM LIABILITIES

Changes in the government's long-term liabilities for the year ended September 30, 2019 are as follows:

Description	Balance 10/1/18	Additions	Deletions	Balance 9/30/19	Due in One Year
Other Long-Term Debt					
Compensated Absences	\$ 18,366	\$ 1,921	\$ -	\$ 20,287	\$ 10,144
Total Other Long-Term Debt	<u>18,366</u>	<u>1,921</u>	<u>-</u>	<u>20,287</u>	<u>10,144</u>
Gov. Activities Long-term Liabilities	<u>\$ 18,366</u>	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ 20,287</u>	<u>\$ 10,144</u>

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, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 21
	Special Revenue Funds	8,148
Total General Fund		<u>8,169</u>
Special Revenue Funds	General Fund	3,059
	Total Special Revenue Funds	<u>3,059</u>
Trust and Agency Funds	General Fund	1,318
	Total Trust and Agency Funds	<u>1,318</u>
Total		<u>\$ 12,546</u>

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, 2019 is as follows:

	<u>Transfer in to:</u> Governmental Funds			
	General Fund - Regular	General Fund - Airport	Non-Major Gov. Funds	Total
Transfer Out From:				
General Fund	\$ -	\$ 19,000	\$ 130	\$ 19,130
Non-Major Gov. Funds	26,773	-	-	26,773
Total	<u>\$ 26,773</u>	<u>\$ 19,000</u>	<u>\$ 130</u>	<u>\$ 45,903</u>

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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:

	General Fund	Venue Fund	Non-Major Gov. Funds	Total Gov. Funds	Governmental Activities
	Fund Balance	Fund Balance	Fund Balance	Fund Balance	Net Position
Fund Balance/Net Position as Previously Stated at 9/30/18	\$ 326,321	\$ 181,510	\$ 167,396	\$ 675,227	\$ 6,311,203
Retrospective recording of the following balances:					
Accrued Salaries	(30,663)	-	-	(30,663)	(30,663)
Accounts Payable	(36,213)	-	-	(36,213)	(36,213)
State Fees Payable	(5,767)	-	-	(5,767)	(5,767)
Fines and Fees Receivable, net	-	-	-	-	189,908
60-Day Sales Tax Revenue Accrual	7,860	3,930	-	11,790	11,790
Close-Out/Correction of LBS-2018 Grant	8,220	-	(8,220)	-	-
Correction of Prior Year EOC Note Rec.	6,000	-	-	6,000	6,000
Reclass of Forfeiture Fund as Agency	-	-	(39,011)	(39,011)	(39,011)
Cumulative Restatements	(50,563)	3,930	(47,231)	(93,864)	96,044
Fund Balance/Net Position as Restated at 9/30/18	\$ 275,758	\$ 185,440	\$ 120,165	\$ 581,363	\$ 6,407,247

THIS PAGE IS INTENTIONALLY BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		General Fund	Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Taxes	\$ 2,025,877	\$ 2,025,877	\$ 1,999,985	\$ (25,892)
General Sales and Use Taxes	125,695	125,695	170,288	44,593
Fines, Fees, and Permits	150,050	156,090	197,701	41,611
Charges for Services	310,600	315,629	380,864	65,235
Rent and Lease Income	3,000	7,500	9,000	1,500
Intergovernmental Revenues	-	7,500	140,079	132,579
Investment Income	143,734	143,734	20,557	(123,177)
Other Revenue	38,175	538,175	139,722	(398,453)
Total Revenues	<u>2,797,131</u>	<u>3,320,200</u>	<u>3,058,196</u>	<u>(262,004)</u>
EXPENDITURES				
Current:				
General Government	1,140,909	1,698,635	1,136,737	561,898
Public Safety	480,084	499,684	519,685	(20,001)
Justice System	189,072	190,586	180,308	10,278
Transportation	365,525	364,320	283,831	80,489
Culture and Recreation	87,037	91,201	71,853	19,348
Health and Human Services	766,988	799,688	656,944	142,744
Economic Development	10,000	10,200	6,089	4,111
Capital Outlay	32,712	32,712	32,712	-
Total Expenditures	<u>3,072,327</u>	<u>3,687,026</u>	<u>2,888,159</u>	<u>798,867</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(275,196)</u>	<u>(366,826)</u>	<u>170,037</u>	<u>536,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	258,721	(258,721)	45,773	304,494
Transfers Out	(5,000)	(11,000)	(19,130)	(8,130)
Total Other Financing Sources (Uses)	<u>253,721</u>	<u>(269,721)</u>	<u>26,643</u>	<u>296,364</u>
Net Change in Fund Balance	(21,475)	(636,547)	196,680	833,227
Fund Balance - Beginning	326,321	326,321	326,321	-
Prior Period Adjustment	-	-	(50,563)	50,563
Fund Balance - Ending	<u>\$ 304,846</u>	<u>\$ (310,226)</u>	<u>\$ 472,438</u>	<u>\$ 782,664</u>

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, 2019

	Measurement Year				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 257,689	\$ 263,344	\$ 293,652	\$ 172,586	\$ 150,880
Interest on Total Pension Liability	446,760	486,113	510,621	519,583	542,575
Effect of Plan Changes	-	(28,966)	(165,466)	-	-
Effect of Assumption Changes or Inputs	(16,145)	(134,037)	(308,931)	(17,233)	-
Effect of Economic/Demographic (Gains)/Losses	-	60,515	-	12,986	(22,528)
Benefit Payments/Refunds of Contributions	(203,665)	(238,420)	(287,901)	(371,679)	(393,456)
Net Change in Total Pension Liability	484,639	408,549	41,975	316,243	277,471
Total Pension Liability, Beginning	5,489,073	5,973,712	6,382,261	6,424,236	6,740,479
Total Pension Liability, Ending (a)	5,973,712	6,382,261	6,424,236	6,740,479	7,017,950
Fiduciary Net Position					
Employer Contributions	\$ 229,417	\$ 239,735	\$ 231,120	\$ 77,650	\$ 84,604
Member Contributions	106,072	111,737	107,797	63,961	62,852
Investment Income Net of Investment Expenses	368,683	(113,513)	444,728	947,784	(137,410)
Benefit Payments/Refunds of Contributions	(203,666)	(238,421)	(287,902)	(371,679)	(393,456)
Administrative Expenses	(4,434)	(4,323)	(4,839)	(4,807)	(5,488)
Other	(11,204)	15,592	24,785	(3,129)	(6,604)
Net Change in Fiduciary Net Position	484,868	10,797	515,689	709,780	(395,502)
Fiduciary Net Position, Beginning	5,507,221	5,992,089	6,002,886	6,518,575	7,228,355
Fiduciary Net Position, Ending (b)	\$5,992,089	\$6,002,886	\$6,518,575	\$7,228,355	\$6,832,853
Net Pension Liability/(Asset), Ending = (a) - (b)	\$ (18,377)	\$ 379,375	\$ (94,339)	\$ (487,876)	\$ 185,097
Fiduciary Net Position as a % of Total Pension Liab.	100.31%	94.06%	101.47%	107.24%	97.36%
Pension Covered Payroll	\$1,515,313	\$1,596,100	\$1,539,953	\$1,279,228	\$1,257,045
Net Pension Liab./(Asset) as a % of Covered Payroll	-1.21%	23.77%	-6.13%	-38.14%	14.72%

TERRELL COUNTY, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	6.72%
2019	87,218	87,218	-	1,232,449	7.04%

Only five 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	2.3 years (based on contribution rate calculated in 12/31/2018 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%, 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

**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, 2019

	Measurement Year	
	12/31/2017	12/31/2018
Total OPEB Liability		
Service Cost	\$ 3,533	\$ 4,097
Interest on Total OPEB Liability	4,460	4,348
Effect of Assumption Changes or Inputs	4,941	(13,189)
Effect of Economic/Demographic (Gains)/Losses	(2,880)	(6,117)
Benefit Payments	(1,919)	(2,514)
Net Change in Total OPEB Liability	<u>8,135</u>	<u>(13,375)</u>
Total OPEB Liability, Beginning	115,413	123,548
Total OPEB Liability, Ending (a)	<u>\$ 123,548</u>	<u>\$ 110,173</u>
Pensionable Covered Payroll	\$ 1,279,228	\$ 1,257,045
Net OPEB Liability as a % of Covered Payroll	9.66%	8.76%

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, 2019

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

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

THIS PAGE IS INTENTIONALLY BLANK.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TERRELL COUNTY, TEXAS
 COMBINING BALANCE SHEET – SUB-GENERAL FUND DETAIL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ -	\$ 91,029	\$ -	\$ 6,200
Investments	418,048	6,882	901	1,861
Property Taxes Receivable	131,701	-	-	-
Allowance for Uncollectible Taxes	(13,170)	-	-	-
Accounts Receivable	18,331	-	-	-
Due from Other funds	8,169	3,059	-	-
Notes Receivable	12,500	-	-	-
Total Assets	<u>\$ 575,579</u>	<u>\$ 100,970</u>	<u>\$ 901</u>	<u>\$ 8,061</u>
LIABILITIES				
Accounts Payable	\$ 168,448	\$ 1,270	\$ 26,137	\$ 278
Payroll Deductions and Withholdings	-	293	-	-
Accrued Salaries and Wages	30,195	-	-	-
Due to Other Funds	4,377	-	-	-
Accrued Expenditures	3,555	-	-	-
Unearned Revenues	23,333	-	-	-
Total Liabilities	<u>229,908</u>	<u>1,563</u>	<u>26,137</u>	<u>278</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	118,531	-	-	-
Deferred Inflows - Unavailable Revenue #2	12,500	-	-	-
Total Deferred Inflows of Resources	<u>131,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Other Purposes	-	99,407	-	-
Committed for:				
Other Purposes	-	-	-	7,783
Unassigned	214,640	-	(25,236)	-
Total Fund Balances	<u>214,640</u>	<u>99,407</u>	<u>(25,236)</u>	<u>7,783</u>
Total Liabilities and Fund Balances	<u>\$ 575,579</u>	<u>\$ 100,970</u>	<u>\$ 901</u>	<u>\$ 8,061</u>

	041	050	060	
<u>SUB-GENERAL FUNDS</u>				
	Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$	2,423	\$ 13,523	\$ 3,402	\$ 116,577
	225	156,292	-	584,209
	-	-	-	131,701
	-	-	-	(13,170)
	-	-	-	18,331
	-	-	-	11,228
	-	-	-	12,500
<u>\$</u>	<u>2,648</u>	<u>\$ 169,815</u>	<u>\$ 3,402</u>	<u>\$ 861,376</u>
\$	-	\$ -	\$ -	\$ 196,133
	-	-	-	293
	-	-	-	30,195
	-	-	21	4,398
	-	-	-	3,555
	-	-	-	23,333
	-	-	21	257,907
	-	-	-	118,531
	-	-	-	12,500
	-	-	-	131,031
	-	-	-	99,407
	2,648	-	3,381	13,812
	-	169,815	-	359,219
	2,648	169,815	3,381	472,438
<u>\$</u>	<u>2,648</u>	<u>\$ 169,815</u>	<u>\$ 3,402</u>	<u>\$ 861,376</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - SUB-GENERAL FUND DETAIL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ 1,268,886	\$ 376,046	\$ 336,483	\$ 18,570
General Sales and Use Taxes	170,288	-	-	-
Fines, Fees, and Permits	142,751	51,991	1,075	-
Charges for Services	379,953	450	-	-
Rent and Lease Income	6,000	-	-	-
Intergovernmental Revenues	112,522	21,135	-	6,422
Investment Income	20,557	-	-	-
Other Revenue	132,521	2,931	4,164	30
Total Revenues	<u>2,233,478</u>	<u>452,553</u>	<u>341,722</u>	<u>25,022</u>
EXPENDITURES				
Current:				
General Government	873,852	98,573	164,312	-
Public Safety	364,692	-	154,993	-
Justice System	152,716	-	8,191	19,401
Transportation	-	263,918	-	-
Culture and Recreation	71,853	-	-	-
Health and Human Services	656,944	-	-	-
Economic Development	6,089	-	-	-
Capital Outlay	-	-	32,712	-
Total Expenditures	<u>2,126,146</u>	<u>362,491</u>	<u>360,208</u>	<u>19,401</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>107,332</u>	<u>90,062</u>	<u>(18,486)</u>	<u>5,621</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	26,773	-	-	-
Transfers Out	(19,130)	-	-	-
Total Other Financing Sources (Uses)	<u>7,643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	114,975	90,062	(18,486)	5,621
Fund Balance-Beginning	141,228	9,654	1,941	2,162
Prior Period Adjustment	(41,563)	(309)	(8,691)	-
Fund Balance-Ending	<u>\$ 214,640</u>	<u>\$ 99,407</u>	<u>\$ (25,236)</u>	<u>\$ 7,783</u>

<u>041 050 060</u>			
<u>SUB-GENERAL FUNDS</u>			
Courthouse Security Fund	Contingency Fund	Airport Fund	Total Non- Major Funds
\$ -	\$ -	\$ -	\$ 1,999,985
-	-	-	170,288
1,884	-	-	197,701
461	-	-	380,864
-	-	3,000	9,000
-	-	-	140,079
-	-	-	20,557
-	-	76	139,722
<u>2,345</u>	<u>-</u>	<u>3,076</u>	<u>3,058,196</u>
-	-	-	1,136,737
-	-	-	519,685
-	-	-	180,308
-	-	19,913	283,831
-	-	-	71,853
-	-	-	656,944
-	-	-	6,089
-	-	-	32,712
<u>-</u>	<u>-</u>	<u>19,913</u>	<u>2,888,159</u>
<u>2,345</u>	<u>-</u>	<u>(16,837)</u>	<u>170,037</u>
-	-	19,000	45,773
-	-	-	(19,130)
<u>-</u>	<u>-</u>	<u>19,000</u>	<u>26,643</u>
<u>2,345</u>	<u>-</u>	<u>2,163</u>	<u>196,680</u>
<u>303</u>	<u>169,815</u>	<u>1,218</u>	<u>326,321</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,563)</u>
<u>\$ 2,648</u>	<u>\$ 169,815</u>	<u>\$ 3,381</u>	<u>\$ 472,438</u>

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS AND FIDUCIARY FUND DESCRIPTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of the County's major capital facilities, other than those financed by proprietary funds.

TERRELL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>080</u>	<u>065</u>	<u>066</u>	<u>013</u>
	<u>SPECIAL REVENUE FUNDS</u>			
	Records Preservation Fund	Historical Commission	Visitors Center	JP Tech Fund
ASSETS				
Cash and Temporary Investments	\$ 31,935	\$ 3,555	\$ 4,717	\$ 5,631
Investments	532	7,039	-	-
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 32,467</u>	<u>\$ 10,594</u>	<u>\$ 4,717</u>	<u>\$ 5,631</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Other Purposes	-	-	-	5,631
Committed for:				
Other Purposes	32,467	10,594	4,717	-
Total Fund Balances	<u>32,467</u>	<u>10,594</u>	<u>4,717</u>	<u>5,631</u>
Total Liabilities and Fund Balances	<u>\$ 32,467</u>	<u>\$ 10,594</u>	<u>\$ 4,717</u>	<u>\$ 5,631</u>

<i>071</i>	<i>046</i>	<i>152</i>	<i>051</i>	<i>151</i>	<i>054</i>	<i>055</i>	<i>059</i>
SPECIAL REVENUE FUNDS							DEBT SVC.
Sheriff's Forfeiture Fund	Local Border Security - 2018	Local Border Security - 2019	Operation Stone Garden - 2018	Operation Stone Garden - 2019	USDA Loan Fund	Rural Grant Fund	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ 758	\$ -	\$ -	\$ 4,480
-	-	-	-	-	-	-	1
-	-	-	-	8,148	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,481</u>
\$ -	\$ -	\$ -	\$ -	\$ 758	\$ -	\$ -	\$ -
-	-	-	-	8,148	-	-	-
-	-	-	-	8,906	-	-	-
-	-	-	-	-	-	-	4,481
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,481
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,481</u>

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>053</u>	<u>056</u>	
	<u>CAPITAL PROJ. FUNDS</u>		
	<u>CDBG Grant</u>	<u>Tax Notes 2007</u>	<u>Total Non- Major Funds</u>
ASSETS			
Cash and Temporary Investments	\$ -	\$ -	\$ 51,076
Investments	-	1,203	8,775
Accounts Receivable	-	-	8,148
Total Assets	<u>\$ -</u>	<u>\$ 1,203</u>	<u>\$ 67,999</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 758
Due to Other Funds	-	-	8,148
Total Liabilities	<u>-</u>	<u>-</u>	<u>8,906</u>
FUND BALANCES			
Restricted for:			
Debt Service	-	-	4,481
Capital Projects	-	1,203	1,203
Other Purposes	-	-	5,631
Committed for:			
Other Purposes	-	-	47,778
Total Fund Balances	<u>-</u>	<u>1,203</u>	<u>59,093</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,203</u>	<u>\$ 67,999</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	080	065	066	043
	SPECIAL REVENUE FUNDS			
	Records Preservation Fund	Historical Commission	Visitors Center	JP Tech Fund
REVENUES				
Fines, Fees, and Permits	\$ 7,997	\$ -	\$ -	\$ 1,956
Charges for Services	4,639	295	-	-
Investment Income	-	-	-	-
Intergovernmental Revenues	900	161	-	-
Other Revenue	-	44	914	-
Total Revenues	13,536	500	914	1,956
EXPENDITURES				
Current:				
General Government	-	-	-	1,229
Public Safety	-	-	-	-
Economic Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	1,229
Excess (Deficiency) of Revenue Over Expenditures	13,536	500	914	727
OTHER FINANCING SOURCES (USES)				
Transfers In	130	-	-	-
Transfers Out	(10,000)	-	-	-
Other Uses	-	-	-	-
Total Other Financing Sources (Uses)	(9,870)	-	-	-
Net Change in Fund Balance	3,666	500	914	727
Fund Balance-Beginning	28,801	10,094	3,803	4,904
Prior Period Adjustment	-	-	-	-
Fund Balance-Ending	\$ 32,467	\$ 10,594	\$ 4,717	\$ 5,631

<i>071</i>	<i>046</i>	<i>152</i>	<i>051</i>	<i>151</i>	<i>054</i>	<i>055</i>	<i>059</i>
SPECIAL REVENUE FUNDS							DEBT SVC.
Sheriff's Forfeiture Fund	Local Border Security - 2018	Local Border Security - 2019	Operation Stone Garden - 2018	Operation Stone Garden - 2019	USDA Loan Fund	Rural Grant Fund	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	15,787	-	-
-	15,264	7,842	52,239	82,547	-	-	-
-	-	-	-	-	-	-	57
-	-	-	-	-	-	-	-
-	15,264	7,842	52,239	82,547	15,787	-	57
-	-	-	-	-	-	-	-
-	15,264	7,842	21,599	40,172	-	-	-
-	-	-	-	-	4	-	-
-	-	-	30,640	42,375	-	-	-
-	15,264	7,842	52,239	82,547	4	-	-
-	-	-	-	-	15,783	-	57
-	-	-	-	-	-	-	-
-	-	-	-	-	(16,568)	(100)	-
-	-	-	-	-	(65,960)	-	-
-	-	-	-	-	(82,528)	(100)	-
-	-	-	-	-	(66,745)	(100)	57
39,011	8,220	-	-	-	66,745	100	4,424
(39,011)	(8,220)	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,481

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>053</u>	<u>056</u>	
	<u>CAPITAL PROJ. FUNDS</u>		
	CDBG Grant	Tax Notes 2007	Total Non- Major Funds
REVENUES			
Fines, Fees, and Permits	\$ -	\$ -	\$ 9,953
Charges for Services	-	-	20,721
Investment Income	-	-	157,892
Intergovernmental Revenues	-	14	1,132
Other Revenue	-	-	958
Total Revenues	-	14	190,656
EXPENDITURES			
Current:			
General Government	-	-	1,229
Public Safety	-	-	84,877
Economic Development	-	-	4
Capital Outlay	-	-	73,015
Total Expenditures	-	-	159,125
Excess (Deficiency) of Revenue Over Expenditures	-	14	31,531
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	130
Transfers Out	(100)	(5)	(26,773)
Other Uses	-	-	(65,960)
Total Other Financing Sources (Uses)	(100)	(5)	(92,603)
Net Change in Fund Balance	(100)	9	(61,072)
Fund Balance-Beginning	100	1,194	167,396
Prior Period Adjustment	-	-	(47,231)
Fund Balance-Ending	\$ -	\$ 1,203	\$ 59,093

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF NET POSITION-
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	85	92	
	<i>PRIVATE PURPOSE TRUST FUNDS</i>		
	Permanent School Fund	Cemetery Fund	Total Trust Funds
ASSETS			
Cash and Temporary Investments	\$ 4,035,422	\$ 2,083	\$ 4,037,505
Investments	17,634,820	100,112	17,734,932
Due from Other funds	1,318	-	1,318
Notes Receivable	440,000	-	440,000
Total Assets	22,111,560	102,195	22,213,755
LIABILITIES			
Accounts Payable	-	1,099	1,099
Total Liabilities	-	1,099	1,099
NET POSITION (DEFICITS)			
Restricted for Participants	22,111,560	101,096	22,212,656
Total Net Position	\$ 22,111,560	\$ 101,096	\$ 22,212,656

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF ACTIVITIES
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	85	92	
	<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	-	832	832
Other Revenue	5,309,291	-	5,309,291
Total Contributions	<u>5,420,947</u>	<u>832</u>	<u>5,421,779</u>
Investment Earnings:			
Investment Income	372,616	1,147	373,763
Total Investment Income	<u>372,616</u>	<u>1,147</u>	<u>373,763</u>
TOTAL ADDITIONS	<u>5,793,563</u>	<u>1,979</u>	<u>5,795,542</u>
DEDUCTIONS			
Payments to Beneficiaries	326,784	-	326,784
Investment Fees	12,000	-	12,000
Repairs and Maintenance	-	13,158	13,158
Total Expenses	<u>338,784</u>	<u>13,158</u>	<u>351,942</u>
Increase (Decrease) in Net Position	5,454,779	(11,179)	5,443,600
Net Position - Beginning	<u>16,656,781</u>	<u>112,275</u>	<u>16,769,056</u>
Net Position - Ending	<u>\$ 22,111,560</u>	<u>\$ 101,096</u>	<u>\$ 22,212,656</u>

TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF ADDITIONS AND DEDUCTIONS – AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Tax Assessor/Collector				
Assets:				
Cash and Investments	\$ 5,207	\$ 113,289	\$ 114,360	\$ 4,136
Liabilities:				
Due to Others	\$ 5,207	\$ 113,289	\$ 114,360	\$ 4,136
Clerk Case Account				
Assets:				
Cash and Investments	\$ 999	\$ 13,699	\$ 5,727	\$ 8,971
Liabilities:				
Due to Others	\$ 999	\$ 13,699	\$ 5,727	\$ 8,971
Clerk Fee Account				
Assets:				
Cash and Investments	\$ 4,650	\$ 62,913	\$ 65,287	\$ 2,276
Liabilities:				
Due to Others	\$ 4,650	\$ 62,913	\$ 65,287	\$ 2,276
Clerk Bond Account				
Assets:				
Cash and Investments	\$ 13,469	\$ 2,612	\$ 1,416	\$ 14,665
Liabilities:				
Due to Others	\$ 13,469	\$ 2,612	\$ 1,416	\$ 14,665
Clerk Trust Account				
Assets:				
Cash and Investments	\$ 9,718	\$ 276	\$ -	\$ 9,994
Liabilities:				
Due to Others	\$ 9,718	\$ 276	\$ -	\$ 9,994
Sheriff Commissary				
Assets:				
Cash and Investments	\$ 1,092	\$ 6,742	\$ 7,506	\$ 328
Liabilities:				
Due to Others	\$ 1,092	\$ 6,742	\$ 7,506	\$ 328

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Sheriff's Forfeiture Fund				
Assets:				
Cash and Investments	\$ -	\$ 89,683	\$ 30,226	\$ 59,457
Liabilities:				
Due to Others	\$ -	\$ 89,683	\$ 30,226	\$ 59,457
JP Pct. 1 & 2				
Assets:				
Cash and Investments	\$ 5,497	\$ 58,289	\$ 56,550	\$ 7,236
Liabilities:				
Due to Others	\$ 5,497	\$ 58,289	\$ 56,550	\$ 7,236
JP Pct. 3 & 4				
Assets:				
Cash and Investments	\$ 278	\$ 50,836	\$ 48,253	\$ 2,861
Liabilities:				
Due to Others	\$ 278	\$ 50,836	\$ 48,253	\$ 2,861
TOTALS				
Assets:				
Cash and Investments	\$ 40,910	\$ 398,339	\$ 329,325	\$ 109,924
Liabilities:				
Due to Others	\$ 40,910	\$ 398,339	\$ 329,325	\$ 109,924

THIS PAGE IS INTENTIONALLY BLANK.

GOVERNMENT AUDITING STANDARDS SECTION

THIS PAGE IS INTENTIONALLY BLANK.



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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 26, 2020 May 26, 2020.

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 two deficiencies in internal control that we consider to be material weaknesses. These matters are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-003.

THIS PAGE IS INTENTIONALLY BLANK.

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

May 26, 2020

THIS PAGE IS INTENTIONALLY BLANK.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' 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:

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.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 Bank and Investment Account Reconciliations (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.

Recommendation: We recommend the County Treasurer's office personnel prepare a reconciliation of each bank and investment account each month no later than the end of the subsequent month. In addition, we recommend the County locate an affordable replacement financial software package for the Treasurer's office and begin making preparations to change to the new software by the beginning of the upcoming fiscal year commencing on October 1, 2020.

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.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 Accounting and Financial Reporting (continued)

Recommendation: We recommend in the short-term that the County either hire a part-time governmental accountant or outsource with an individual or accounting firm to conduct a monthly review of the County's general ledger in order to provide the needed accounting analysis and journal entries for accurate financial reporting.

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.

Recommendation: We recommend the County Investment Officer monitor all investment maturity dates and reinvest matured funds as soon as possible.

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

2018-001 Financial Operations Controls

Criteria: Best practices in financial management of a governmental organization call for formalization in the practices of purchasing, bill processing, and payment authorizations.

Condition: During our review of the supporting documentation for a selected sample of business transactions of the County, we noted that while most transactions showed evidence of proper approval and processing, there were many transactions that did not. Examples of noted deficiencies include instances of payment authorization forms not being used with paid invoices to document standard actions such as bill review and assigned department/account coding, in addition to some credit card transactions not being supported with a purchase receipt to fully document the purchase.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

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

2018-001 Financial Operations Controls (continued)

Cause: Practices were not in place during the year to hold credit card users accountable for turning in all required purchase documentation after credit card usage, resulting in difficulties finding that information at a later date. In addition, the lack of a requirement to consistently utilize a payment authorization form with each processed bill payment.

Effect: Effective controls are applied to most, but not all transactions.

Recommendation: We recommend that practices be put in place to ensure that all business transactions of the County are processed using the same controls, such as requiring payment authorization forms and receipts to support credit card transactions.

Current Status: During the FY19 audit, while we noted some transactions still did not show proper documentation of approval and coding, the matter had shown improvement and did not rise to the level of a current year audit finding.

Contact Person: Rebecca Luevano, County Treasurer

2018-002 Grants Management and Accounting

Criteria: Careful administration and accounting over grants is needed in order to ensure compliance with reporting requirements to the state and federal governments and to be able to accurately report grant revenues and expenditures.

Condition: During our review of grants we noted that the County has frequently missed required deadlines for filing grant reports with the State of Texas. This has resulted in warning letters/emails from various state departments as well as funds being placed on hold from time to time to require certain actions. This has placed Terrell County under more scrutiny by the Office of the Governor and was likely the cause of a specific audit conducted by that office during the year.

Furthermore, the accounting for the revenues, expenditures, and any related grant amounts due or payable on a quarterly and annual basis is not being tracked accurately. This information should be available and reportable at a minimum on a monthly basis for each grant the County receives.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-002 Grants Management and Accounting (continued)

Cause: The responsibility for grants management and accounting is disbursed across too many people and departments, resulting in ineffective management.

Effect: The County has experienced difficulty in reporting grant information to grantors and on its books. In addition, it has received unwanted scrutiny from the State of Texas.

Recommendation: We recommend all County departments involved with grants resolve to cooperate better on the overall management of grants and to improve communication regarding grant expenditures and reporting requirements. A good practice would be for monthly or quarterly meetings to be held to discuss current grants the County is receiving as well as the responsibilities each department and individual will fulfil regarding grant requirements.

Current Status: During the audit we noted no improvement in the grants accounting and consider this matter an ongoing issue.

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.

THIS PAGE IS INTENTIONALLY BLANK.



REBECCA LUEVANO

Terrell County Treasurer

P.O. BOX 380

SANDERSON, TX 79848

RLUEVANO@CO.TERRELL.TX.US

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Current Year Audit Findings:

2019-001 Bank and Investment Account Reconciliations

Corrective Action Planned: We will be reconciling every month as bank statements come in.

Anticipated Completion Date: June 4, 2020

Contact Person: Rebecca Luevano, County Treasurer

2019-002 Accounting and Financial Reporting

Corrective Action Planned: As the months have gone by, I have a better understanding to what needs to be done. We will be taking a closer look at all entries that we have to input to system. If we have any questions, we will call our CPA that we have on hand to look at things more thoroughly and guide us in the right direction.

Anticipated Completion Date: June 4, 2020

Contact Person: Rebecca Luevano, County Treasurer

2019-003 Investment of County Funds and Investment Training

Corrective Action Planned: We also will be looking closer to our investment accounts to make sure all money is invested on a timely manner.

Anticipated Completion Date: June 4, 2020

Contact Person: Rebecca Luevano, County Treasurer

Prior Year Unresolved Audit Findings:

2018-002 Grants Management and Accounting

Corrective Action Planned: We will be carefully administrating the grants. We have more of a grasp as to what we need to do. My office will be administering a spreadsheet of all grant activity, that way we will be able to accurately report grant revenues and expenditures.

Anticipated Completion Date:

Contact Person: Rebecca Luevano, County Treasurer

1870
1871
1872
1873
1874
1875
1876
1877
1878
1879
1880
1881
1882
1883
1884
1885
1886
1887
1888
1889
1890
1891
1892
1893
1894
1895
1896
1897
1898
1899
1900