

TERRELL COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



TERRELL COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report ·····	1
Management's Discussion and Analysis ·····	7
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position ·····	20
Statement of Activities ·····	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds ·····	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ·····	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds ·····	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities ·····	27
Statement of Fiduciary Net Position – Fiduciary Funds ·····	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds ·····	29
Notes to the Financial Statements ·····	33
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund ·····	57
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System ·····	58
Schedule of Employer Pension Contributions – Texas County & District Retirement System ·····	61
Schedule of Changes in Net OPEB Liability and Related Ratios – Texas County & District Retirement System Group Term Life Program ·····	62
Schedule of Employer Other Post-Employment Benefits Contributions – Texas County & District Retirement System Group Term Life Program ·····	63
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
Combining Balance Sheet – Sub-General Fund Detail ·····	66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Sub-General Fund Detail ·····	68
Non-Major Governmental Fund and Fiduciary Fund Descriptions ·····	71
Combining Balance Sheet – Non-major Governmental Funds ·····	72
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds ·····	74
Combining Schedule of Net Position – Private Purpose Trust Funds ·····	76
Combining Schedule of Activities – Private Purpose Trust Funds ·····	77
Combining Schedule of Net Position – Custodial Funds ·····	78
Combining Schedule of Activities – Custodial Funds ·····	80
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
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> ·····	85
Schedule of Findings and Questioned Costs ·····	89
Corrective Action Plan ·····	99





FINANCIAL SECTION

*THIS PAGE IS INTENTIONALLY BLANK*



**INDEPENDENT AUDITOR'S REPORT**

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

**Disclaimer of Opinion and Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Terrell County, Texas (hereafter the "County"), as of and for the year ended September 30, 2022, and the related notes to the financial statements. These financial statements collectively comprise the County's basic financial statements as listed in the table of contents. Due to the conditions described in audit finding 2022-001 on the schedule of findings and questioned costs, we have issued a disclaimer of opinion on the following financial statements:

**Government-Wide Financial Statements:**

Statement of Activities

**Fund Financial Statements:**

- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Within the Required Supplementary Information section and Combining and Individual Fund Financial Statements and Schedules section of the annual financial report, we also disclaim assurance on the following schedules:

- Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–General Fund
- Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Sub-General Fund Detail
- Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Non-Major Gov. Funds
- Combining Schedule of Activities – Private Purpose Trust Funds
- Combining Schedule of Activities – Custodial Funds

Because of the significance of the matter described in audit finding 2022-001 on the schedule of findings and questioned costs and in the Basis for Disclaimer of Opinion and Unmodified Opinions below, we have not been able to obtain sufficient evidence to provide a basis for an audit opinion on the financial statements listed above. Accordingly, we do not express an opinion on those financial statements.

**Unmodified Opinions on Remaining Financial Statements**

In our opinion, for the remaining financial statements not listed above, which include the government-wide Statement of Net Position and the balance sheets of the General Fund, the Venue Fund, and the balance sheets of the aggregate remaining funds, these financial statements present fairly, in all material respects, the respective financial position of Terrell County as of September 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Disclaimer of Opinion and Unmodified Opinions**

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

### **Matter Giving Rise to Disclaimer of Opinion on the Financial Statements Listed Above**

During the fiscal year, the accounting ledgers of the various funds of the County (the General Fund, the Venue Fund, and other aggregate remaining separate funds) were not maintained in a manner whereby posted transactions were reviewed on a regular basis for accuracy and reconciled to the corresponding activity of the related bank accounts. As a result, significant audit adjustments were required to be made to the cash accounts of the County to set them to adjusted bank confirmed amounts, with the offset of these entries being posted as unidentified expenditures. Therefore, without a comprehensive and detailed review of each of the revenue and expenditure transactions that occurred during the fiscal year, the audit firm is unable to render an opinion to the public on the accurate handling and financial reporting of those transactions.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements listed on page 1 of this report.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit. We have made those communications in a separate letter addressed to the governing body.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining schedules of individual funds are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. With the exception of the financial statements and schedules listed on page 1 of this report which we have disclaimed, in our opinion, the combining schedules of individual funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*THIS PAGE IS INTENTIONALLY BLANK*

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2023 on our consideration of Terrell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Terrell County's internal control over financial reporting and compliance.

*Singleton, Clark & Company, PC*

Alpine, Texas  
July 24, 2023

*THIS PAGE IS INTENTIONALLY BLANK*



TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

**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 \$6,246,621 (*net position*). Of this amount, \$1,605,138 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 increased by \$806,440 as a result of current operations, primarily as a result of sales tax revenues in the General Fund and Venue Fund significantly exceeding originally expected amounts during the year.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$1,853,074, which reflects an increase of \$872,351 from current year operations in comparison with the prior year. Of this amount, 45%, or \$842,048, 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 \$842,048, which reflected 36% of total General Fund expenditures.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 20-21 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 seventeen 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 seven sub-funds), and the Venue Fund, which are considered to be major funds. Data from the other fifteen 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 35 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 24-27 of this report.

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

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

TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

*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 *Custodial Funds* report 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 28-29 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 33-53 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 57-63 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 custodial 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 66-81 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a County's financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,246,621 at the close of the most recent fiscal year.



TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 2022	Governmental Activities 2021	Change
<b>ASSETS</b>			
Current & Other Assets	\$ 3,793,522	\$ 1,679,548	\$ 2,113,974
Capital Assets	3,948,247	4,196,988	(248,741)
<b>Total Assets</b>	<b>7,741,769</b>	<b>5,876,536</b>	<b>1,865,233</b>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflows	94,401	324,508	(230,107)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>7,836,170</b>	<b>6,201,044</b>	<b>1,635,126</b>
<b>LIABILITIES</b>			
Current Liabilities	155,609	225,065	(69,456)
Long-term Liabilities	241,859	209,209	32,650
<b>Total Liabilities</b>	<b>397,468</b>	<b>434,274</b>	<b>(36,806)</b>
<b>DEFERRED INFLOWS</b>			
Deferred Inflows	1,192,081	326,589	865,492
<b>TOTAL LIABILITIES AND DEFERRED OUTFLOWS</b>	<b>1,589,549</b>	<b>760,863</b>	<b>828,686</b>
<b>NET POSITION</b>			
Investment in Capital Assets, net of Related Debt	3,913,279	4,196,988	(283,709)
Restricted	728,204	461,231	266,973
Unrestricted	1,605,138	781,962	823,176
<b>Total Net Position</b>	<b>\$ 6,246,621</b>	<b>\$ 5,440,181</b>	<b>\$ 806,440</b>

A portion of the County's net position, \$3,913,279, or 63%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$728,204, or 12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,605,138, or 25% is unrestricted and may be used to meet the County's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, for its separate governmental activities. The same situation held true for the prior fiscal year.

TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased by \$806,440 from the prior fiscal year for an ending balance of \$6,246,621. The increase in net position of governmental activities is primarily the result of sales tax revenues being received at higher levels than budgeted during the year.

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

	Governmental Activities 2022	Governmental Activities 2021	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 551,307	\$ 473,513	\$ 77,794
Operating Grants & Contributions	875,715	369,932	505,783
General Revenues:			
Property Taxes	1,658,483	1,625,087	33,396
General Sales and Use Taxes	1,085,317	132,940	952,377
Donations	2,699	2,500	199
Investment Earnings	208,955	1,196	207,759
Miscellaneous	185,782	460,264	(274,482)
Total Revenue	<u>4,568,258</u>	<u>3,065,432</u>	<u>1,502,826</u>
Expenses:			
General Government	1,132,223	1,191,024	(58,801)
Public Safety	880,141	836,196	43,945
Judicial System	156,433	184,378	(27,945)
Transportation	283,454	323,019	(39,565)
Culture and Recreation	52,394	68,703	(16,309)
Health and Human Services	604,309	670,517	(66,208)
Economic Development	3,098	9,524	(6,426)
Total Expenses	<u>3,112,052</u>	<u>3,283,361</u>	<u>(171,309)</u>
Increase (Decrease in Net Position Before Transfers and Special Items)	1,456,206	(217,929)	1,674,135
Other Uses	(649,766)	-	(649,766)
Increase (Decrease) in Net Position	<u>806,440</u>	<u>(217,929)</u>	<u>1,024,369</u>
Net Position - Beginning	5,440,181	5,658,110	(217,929)
Net Position - Ending	<u>\$ 6,246,621</u>	<u>\$ 5,440,181</u>	<u>\$ 806,440</u>

**Business-type Activities.** The County is currently not utilizing any business-type activities.

TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**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 proprietary funds.

**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, 2022, the County's governmental funds reported combined fund balances of \$1,853,074, an increase of \$872,351 in comparison with the prior year. Of this amount, \$842,048, or 45%, 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 \$728,204, 4) committed for particular purposes \$282,822, 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 \$842,048, while total fund balance increased to \$1,107,867. 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 36% of total General Fund expenditures, while total fund balance represents approximately 47% of that same amount.

The fund balance of the County's General Fund increased by \$588,375 during the current fiscal year. This was primarily due to higher than anticipated sales tax revenues during the year.

The Venue Fund, a major fund, experienced a \$290,273 increase in fund balance during the current fiscal year resulting in an ending fund balance of \$665,564. 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 there were amendments to increase the original estimated overall County revenues and the originally budgeted appropriations at the functional levels. Also, some amendments to reallocate appropriations within departments were made.

TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Capital Assets and Debt Administration**

*Capital assets.* The County's investment in capital assets for its governmental activities as of September 30, 2022, amounted to \$3,948,247 (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 5.9% was primarily the result of current year depreciation expense.

Shown below is a comparison of the County's capital assets for the current and prior fiscal year.

**Terrell County, Texas  
Capital Assets**

	Governmental Activities 2022	Governmental Activities 2021	Change
Land	\$ 186,512	\$ 186,512	\$ -
Buildings and Improvements	4,140,220	4,140,220	-
Infrastructure	3,719,764	3,719,764	-
Machinery and Equipment	4,029,344	3,976,101	53,243
Total	<u>12,075,840</u>	<u>12,022,597</u>	<u>53,243</u>
Less Accumulated Depreciation	<u>(8,127,593)</u>	<u>(7,825,609)</u>	<u>(301,984)</u>
Capital Assets, net of Depreciation	<u>\$ 3,948,247</u>	<u>\$ 4,196,988</u>	<u>\$ (248,741)</u>

Additional information on the County's capital assets can be found in Note 4 on page 42 of this report.

*Long-term liabilities.* At the end of the current fiscal year, the County only had an outstanding notes payable obligation which required regular future payments. Other 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 operations or changes in funding requirements of these benefit plans.

Shown below is a comparison of the County's long-term debt obligations for the current and prior fiscal year.

**Terrell County, Texas  
Long-Term Debt**

	Governmental Activities 2022	Governmental Activities 2021	Change
Notes Payable	\$ 34,968	\$ -	\$ 34,968
Compensated Absences	17,922	25,513	(7,591)
Total	<u>\$ 52,890</u>	<u>\$ 25,513</u>	<u>\$ 27,377</u>

Additional information on the County's long-term liabilities can be found in Note 8 on page 51 of this report.

*THIS PAGE IS INTENTIONALLY BLANK*



TERRELL COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect the County and were considered in developing the 2022-2023 fiscal year budget:

- The current status of the taxable property values within the County and the affect those values have on property tax assessments and resulting property tax revenues
- Grant revenues anticipated to be received from the State of Texas to assist the County with the affects of the continuing border crisis
- Affects on the local economy resulting from the increased activities in the County also from the border crisis

The County adopted an expenditures budget for the General Fund for the 2022-2023 fiscal year in the amount of \$2,273,283. The reflects a decrease of just over \$400,000 from the previous year's final amended budget. Property tax rates for the 2022-2023 fiscal year were decreased to \$0.38559 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 Street, 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  
SEPTEMBER 30, 2022

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 839,483
Investments	739,692
Property Taxes Receivable	170,078
Allowance for Uncollectible Taxes	(17,008)
Accounts Receivable	576,583
Net Pension Asset	1,484,694
Capital Assets not Being Depreciated:	
Land	186,512
Capital Assets, Being Depreciated	
Buildings and Improvements	4,140,220
Infrastructure	3,719,764
Machinery and Equipment	4,029,344
Accumulated Depreciation	(8,127,593)
Total Assets	7,741,769
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan Items	61,786
Other Post-Employment Benefit Items	32,615
Total Deferred Outflows of Resources	94,401
<b>LIABILITIES</b>	
Accounts Payable	43,405
Accrued Salaries and Wages	53,284
Due to Fiduciary Funds	1,318
Accrued Expenditures	6,943
Unearned Revenues	50,254
Other Liabilities	405
Long-Term Liabilities:	
Due within One Year	26,186
Due in more than One Year	26,704
Other Post-Employment Benefits Liability	188,969
Total Liabilities	397,468
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan Items	1,183,791
Other Post-Employment Benefit Items	8,290
Total Deferred Inflows of Resources	1,192,081
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,913,279
Restricted for Capital Projects	751
Restricted for Debt Service	4,538
Restricted for Other Purposes	722,915
Unrestricted	1,605,138
Total Net Position	\$ 6,246,621

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, 2022

**OPINION DISCLAIMED**

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,132,223	\$ 102,105	\$ 225,816	\$ (804,302)
Public Safety	880,141	29,174	582,338	(268,629)
Judicial System	156,433	53,893	20,379	(82,161)
Transportation	283,454	14,825	19,625	(249,004)
Culture and Recreation	52,394	6,070	-	(46,324)
Health and Human Services	604,309	345,240	27,557	(231,512)
Economic Development	3,098	-	-	(3,098)
Total Governmental Activities:	<u>\$ 3,112,052</u>	<u>\$ 551,307</u>	<u>\$ 875,715</u>	<u>(1,685,030)</u>
General Revenues:				
Property Taxes				1,658,483
General Sales and Use Taxes				1,085,317
Donations				2,699
Investment Income				208,955
Other Revenue				185,782
Total General Revenues				<u>3,141,236</u>
Change in Net Position Before Special Items				<u>1,456,206</u>
Other Uses				<u>(649,766)</u>
Change in Net Position				806,440
Net Position - Beginning				<u>5,440,181</u>
Net Position - Ending				<u>\$ 6,246,621</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  
SEPTEMBER 30, 2022

	<u>010</u>	<u>042</u>	Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Venue Fund		
<b>ASSETS</b>				
Cash and Temporary Investments	\$ 269,319	\$ 475,362	\$ 94,802	\$ 839,483
Investments	731,283	93	8,316	739,692
Property Taxes Receivable	170,078	-	-	170,078
Allowance for Uncollectible Taxes	(17,008)	-	-	(17,008)
Accounts Receivable	14,679	7,340	407,489	429,508
Due from Other Funds	453,669	182,769	6,311	642,749
Total Assets	<u>\$ 1,622,020</u>	<u>\$ 665,564</u>	<u>\$ 516,918</u>	<u>\$ 2,804,502</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 43,405	\$ -	\$ -	\$ 43,405
Accrued Salaries and Wages	53,284	-	-	53,284
Due to Other Funds	231,380	-	412,687	644,067
Accrued Expenditures	6,943	-	-	6,943
Unearned Revenues	25,666	-	24,588	50,254
Other Liabilities	405	-	-	405
Total Liabilities	<u>361,083</u>	<u>-</u>	<u>437,275</u>	<u>798,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows-Property Taxes	153,070	-	-	153,070
Total Deferred Inflows of Resources	<u>153,070</u>	<u>-</u>	<u>-</u>	<u>153,070</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Debt Service	-	-	4,538	4,538
Capital Projects	-	-	751	751
Other Purposes	-	665,564	57,351	722,915
Committed for:				
Other Purposes	265,819	-	17,003	282,822
Unassigned	842,048	-	-	842,048
Total Fund Balances	<u>1,107,867</u>	<u>665,564</u>	<u>79,643</u>	<u>1,853,074</u>
Total Liabilities and Fund Balances	<u>\$ 1,622,020</u>	<u>\$ 665,564</u>	<u>\$ 516,918</u>	<u>\$ 2,804,502</u>

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

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

**OPINION DISCLAIMED**

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

Total Fund Balances - Governmental Funds		\$ 1,853,074
<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	\$ 12,075,840	
Less accumulated depreciation	<u>(8,127,593)</u>	3,948,247
<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 net pension asset	1,484,694	
Deferred outflows related to pensions	61,786	
Deferred inflows related to pensions	(1,183,791)	
Other net post-employment benefits liability	(188,969)	
Deferred outflows related to other post-employment benefits	32,615	
Deferred inflows related to other post-employment benefits	<u>(8,290)</u>	198,045
<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>		
		153,070
<p>Long-term liabilities, such as notes payable and 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		(52,890)
<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>147,075</u>
Net Position of Governmental Activities		<u><u>\$ 6,246,621</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, 2022

**OPINION DISCLAIMED**

	<u>010</u>	<u>042</u>		
	General Fund	Venue Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 1,642,330	\$ -	\$ -	\$ 1,642,330
General Sales and Use Taxes	708,040	356,441	20,836	1,085,317
Fines, Fees, and Permits	143,817	-	7,837	151,654
Charges for Services	365,639	-	8,177	373,816
Rent and Lease Income	15,325	-	-	15,325
Donations	2,699	-	-	2,699
Intergovernmental Revenues	165,469	-	710,246	875,715
Investment Income	208,255	327	373	208,955
Other Revenue	182,652	525	2,605	185,782
Total Revenues	<u>3,434,226</u>	<u>357,293</u>	<u>750,074</u>	<u>4,541,593</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,040,559	-	30,037	1,070,596
Public Safety	180,864	-	693,898	874,762
Justice System	149,017	-	-	149,017
Transportation	285,493	-	-	285,493
Culture and Recreation	49,746	-	-	49,746
Health and Human Services	565,419	-	3,522	568,941
Economic Development	2,200	446	-	2,646
Debt Service:				
Principal	18,275	-	-	18,275
Capital Outlay	53,243	-	-	53,243
Total Expenditures	<u>2,344,816</u>	<u>446</u>	<u>727,457</u>	<u>3,072,719</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,089,410</u>	<u>356,847</u>	<u>22,617</u>	<u>1,468,874</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	53,243	-	-	53,243
Transfers In	19,909	-	-	19,909
Transfers Out	(19,909)	-	-	(19,909)
Other Uses	(554,278)	(66,574)	(28,914)	(649,766)
Total Other Financing Sources (Uses)	<u>(501,035)</u>	<u>(66,574)</u>	<u>(28,914)</u>	<u>(596,523)</u>
Net Change in Fund Balance	588,375	290,273	(6,297)	872,351
Fund Balance - Beginning	519,492	375,291	85,940	980,723
Fund Balance - Ending	<u>\$ 1,107,867</u>	<u>\$ 665,564</u>	<u>\$ 79,643</u>	<u>\$ 1,853,074</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, 2022

**OPINION DISCLAIMED**

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

Net Change in Fund Balances - Total Governmental Funds \$ 872,351

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.

Expenditures for capitalized assets	\$ 53,243	
Less current year depreciation	<u>(301,984)</u>	(248,741)

Long-term liabilities, such as notes payable and accrued compensated absences, are not recorded within the governmental funds due to them not representing current liabilities.

Payments on long-term debt	43,788	
Issuance of new long-term debt	<u>(71,165)</u>	
Change in long-term liabilities for notes payable and compensated absences		(27,377)

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. 16,153

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:

Current year pension expense	200,981	
Current year other post-employment benefits expense	<u>(17,439)</u>	183,542

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. 10,512

Change in Net Position- Governmental Activities \$ 806,440

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

TERRELL COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2022

ASSETS	Fiduciary Funds	
	Private Purpose	
	Trust Funds	Custodial Funds
Cash and Cash Equivalents	\$ 824,813	\$ 179,083
Investments	20,388,741	-
Due from Other Funds	1,318	-
Notes Receivable	225,000	-
Total Assets	21,439,872	179,083
<b>NET POSITION</b>		
Total Net Position	\$ 21,439,872	\$ 179,083

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, 2022

**OPINION DISCLAIMED**

	Fiduciary Funds	
	Private Purpose Trust Funds	Custodial Funds
<b>REVENUES</b>		
Contributions:		
Rent and Lease Income	\$ 89,869	\$ -
Donations	550	-
Miscellaneous Revenue	5,554	482,859
Total Contributions	<u>95,973</u>	<u>482,859</u>
Investment Earnings:		
Investment Income	247,409	-
Total Investment Income	<u>247,409</u>	<u>-</u>
Total Revenues	<u>343,382</u>	<u>482,859</u>
<b>EXPENDITURES</b>		
Payments to Beneficiaries	1,418,847	-
Investment Fees	9,442	-
Repairs and Maintenance	474	-
Other Operating Costs	141,040	-
Miscellaneous Expenditures	-	442,869
Total Expenditures	<u>1,569,803</u>	<u>442,869</u>
Net Change in Net Position	(1,226,421)	39,990
Net Position - Beginning	<u>22,666,293</u>	<u>139,093</u>
Net Position - Ending	<u>\$ 21,439,872</u>	<u>\$ 179,083</u>

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, 2022

**NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

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

**Description of Government-wide Financial Statements**

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

**Basis of Presentation – Government-wide Financial Statements**

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

**Basis of Presentation – Fund Financial Statements**

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

The County reports the following major governmental funds:

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

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

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

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

The County reports the following fiduciary fund types:

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

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

### **Interfund Transactions**

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

### **Measurement Focus and Basis of Accounting**

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

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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

**Budgetary Information**

***Budgetary Basis of Accounting***

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

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

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

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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

***1. Cash and Cash Equivalents***

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

***2. Investments***

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

***3. Inventories and Prepaid Items***

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

***4. Capital Assets***

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



TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**6. Net Position Flow Assumption**

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

**7. Fund Balance Flow Assumptions**

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing court is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed taxable value of the property tax roll of January 1, 2021, upon which the levy for the 2021-2022 fiscal year was based, was \$208,753,875. 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, 2022, to finance County operations was \$0.80 per \$100 valuation. The total County tax levy for the 2021-2022 fiscal year was \$1,670,031. Tax collections on the current levy for the year ended September 30, 2022, were 98% of the year end adjusted tax levy.



TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**3. *Compensated Absences***

**Vacation**

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

**Sick Leave**

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

**4. *Pensions and Other Post-Employment Benefits***

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

**NOTE-2 CASH AND INVESTMENTS**

**Cash Deposits with Financial Institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, State law requires governmental entity deposits to be completely insured with FDIC and pledged securities coverage at all times. As of September 30, 2022, the County's combined bank balances at its depository bank, Pecos County State Bank, were \$1,689,206, and of that amount \$750,000 was covered by FDIC insurance and the remaining amount was covered by pledged collateral.

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Investments**

As of September 30, 2022, the County had the following investments:

Investment Type	Maturity Time in Years				Totals
	Less than 1	1-5	6-10	More Than 10	
<b>Governmental Funds:</b>					
Certificates of Deposit	\$ 54,567	\$ -	\$ -	\$ -	54,567
LoneStar Government Pool	375	-	-	-	375
TexStar Government Pool	8,408	-	-	-	8,408
TexPool Investment Pool	948,440	-	-	-	948,440
<b>Total Governmental Funds</b>	<b>\$ 1,011,790</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,011,790</b>
<b>Fiduciary Funds:</b>					
Certificates of Deposit	\$ 3,949,242	\$ -	\$ -	\$ -	\$ 3,949,242
Marketable Securities	14,764,127	-	-	-	14,764,127
LoneStar Government Pool	190,889	-	-	-	190,889
TexStar Government Pool	1,212,385	-	-	-	1,212,385
<b>Total Fiduciary Funds</b>	<b>\$ 20,116,643</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,116,643</b>

**Lone Star (First Public)**

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

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

**TexStar**

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

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

**TexPool**

TEXPOOL is a local government investment pool. It offers a safe, efficient, and liquid investment alternative to local governments in the State of Texas. The primary objectives of the pool are to preserve capital and protect principal, maintain sufficient liquidity, provide safety of funds and investments, diversify to avoid unreasonable or avoidable risks, and maximize the return on the pool. Cities, counties, school districts, institutions of higher education, special districts, and other public entities of Texas make up the investor base.

TEXPOOL was originally rated in March 1995, but effective April 2002, the Texas Comptroller of Public Accounts contracted with Federated Investors, Inc. for the day-to-day operations of TEXPOOL. Federated Investors, Inc. performs the pool's investment management and custodial functions. It also provides the marketing function, working closely with participants. Federated Securities Corp. acts as the distributor for the portfolio. Oversight of TEXPOOL continues to be provided by the Texas Comptroller, as well as the TEXPOOL advisory board. In January 1995, the advisory board adopted and implemented long-term policy changes to provide for a stable net asset value (NAV) pool, which, in effect, operates like an SEC regulated Rule 2a-7 money-market fund. These changes were made to ensure a more conservative investment strategy and to provide a much higher level of investment safety for local government funds.

*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, 2022, the government's investment in the State Treasurer's investment pool was rated AA<sup>m</sup> by Standard & Poor's, Taxable Bonds were rated AA<sup>+</sup> by Standard & Poor's, and Tax-Exempt Bonds were rated AA<sup>-</sup> to AAA by Standard & Poor's.

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

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

**NOTE-3 RECEIVABLES**

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



TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Governmental Funds:

	General Fund	Venue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receivables				
Property Taxes	\$ 170,078	\$ -	\$ -	\$ 170,078
Accounts Receivable	14,679	7,340	407,489	429,508
Gross Receivables	184,757	7,340	407,489	599,586
Allowance for Uncollectible	(17,008)	-	-	(17,008)
Net Receivables	<u>\$ 167,749</u>	<u>\$ 7,340</u>	<u>\$ 407,489</u>	<u>\$ 582,578</u>

**NOTE-4 CAPITAL ASSETS**

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

Governmental Activities:

	Balance 10/1/21	Increases	Decreases	Balance 9/30/22
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
Infrastructure	3,719,764	-	-	3,719,764
Machinery and Equipment	3,976,101	53,243	-	4,029,344
Total Capital Assets, Being Depreciated	11,836,085	53,243	-	11,889,328
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,197,098)	(97,779)	-	(2,294,877)
Infrastructure	(1,889,342)	(134,576)	-	(2,023,918)
Machinery and Equipment	(3,739,169)	(69,629)	-	(3,808,798)
Total Accumulated Depreciation	(7,825,609)	(301,984)	-	(8,127,593)
Total Capital Assets Being Depreciated, Net	4,010,476	(248,741)	-	3,761,735
Governmental Activities Capital Assets, Net	<u>\$ 4,196,988</u>	<u>\$ (248,741)</u>	<u>\$ -</u>	<u>\$ 3,948,247</u>

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

General Government	\$ 107,724
Public Safety	88,019
Judicial System	14,994
Transportation	28,727
Culture and Recreation	5,005
Health and Human Services	57,247
Economic Development	268
Total Depreciation Expense - Governmental Activities	<u>\$ 301,984</u>

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**NOTE-5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities reported by governmental funds at September 30, 2022, were as follows:

	General Fund
Accounts Payable	\$ 43,405
Accrued Salaries & Wages	53,284
Accrued Expenditures	6,943
Other Liabilities	405
Total	\$ 104,037

**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 an annual comprehensive financial report (ACFR) on a calendar year basis.

This ACFR is available online at [www.tcdrs.org/newsandpublications](http://www.tcdrs.org/newsandpublications).

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amount contributed by their employer.

*Benefits Provided*

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

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Membership Information*

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

Members	12/31/2020	12/31/2021
Number of Inactive Employees Entitled to but not yet Receiving Benefits:	77	71
Number of Active Employees	38	48
Average Monthly Salary:*	\$ 2,344	\$ 2,255
Average Age:*	48.80	46.96
Average Length of Service in Years:*	7.68	6.22
<hr/>		
<b>Inactive Employees (or their Beneficiaries) Receiving Benefits</b>		
Number of Benefit Recipients:	38	41
Average Monthly Benefit:	\$ 1,193	\$ 1,126
<hr/>		
<i>*Averages Reported for Active Employees.</i>		

*Funding Policy*

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

1. Employee Deposits

The governing body of the employers has the option of adopting a deposit rate in the plan for employees of 4%, 5%, 6%, or 7% of compensation. Terrell County had an adopted deposit rate for employees of 5% in effect for the years ended September 30, 2021 and 2022.

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, 2021 and 2022 of 7.56% and 6.49%, 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, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Actuarial Methods and Assumptions Used for Calculations*

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

The TPL in the December 31, 2021 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 (level percent of pay) <sup>(1)</sup>
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	2.50%
Salary Increases	2.25%
Investment Rate of Return	7.60% (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.
Mortality	RP-2014 Mortality Table
Retirement Age	Terrell County specific table
Turnover	Terrell County specific table
Adjustment for Plans with the Partial-Lump Sum Payment Option (Liability and Normal Cost)	Same a funding valuation. For employers who have elected this option, a 0.75% increase is applied to the TPL related to the member deposit portion of the estimated monthly benefit for future retirees.

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

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



TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities-Developed Mkts	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities-Emerging Mkts	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Assoc. Distressed Securities Index	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U. S. Treasury	2.00%	-1.05%
		100%	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 7.60%. 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 7.60%, 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, 6.60%, or 1-percentage-point higher, 8.60%, than the current rate:

	Discount Rate (6.60%)	Discount Rate (7.60%)	Discount Rate (8.60%)
Total Pension Liability	\$ 8,619,149	\$ 7,761,986	\$ 7,035,633
Fiduciary Net Position	9,246,680	9,246,680	9,246,680
Net Pension Liability/(Asset)	\$ (627,531)	\$ (1,484,694)	\$ (2,211,047)

*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](http://www.tmr.com).



TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2020	\$ 7,791,895	\$ 7,991,675	\$ (199,780)
Changes for the Year:			
Service Cost	122,018	-	122,018
Interest on Total Pension Liability	579,253	-	579,253
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains/Losses	(113,132)	-	(113,132)
Effect of Assump. Changes or Inputs	(22,809)	-	(22,809)
Refund of Contributions	(57,240)	(57,240)	-
Benefit Payments	(537,998)	(537,998)	-
Administrative Expenses	-	(5,003)	5,003
Member Contributions	-	63,702	(63,702)
Net Investment Income	-	1,705,354	(1,705,354)
Employer Contributions	-	96,318	(96,318)
Other	-	(10,127)	10,127
Balances as of December 31, 2021	<u>\$ 7,761,987</u>	<u>\$ 9,246,681</u>	<u>\$ (1,484,694)</u>

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

For the year ended September 30, 2022, the County recognized pension expense of \$200,981.

At September 30, 2022, 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	\$ -	\$ 75,421
Changes of Assumptions	-	15,206
Net Difference Between Projected and Actual Investment Earnings	-	1,093,164
Contributions Made Subsequent to the Measurement Date	61,786	-
Total	<u>\$ 61,786</u>	<u>\$ 1,183,791</u>

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
2022	\$ (279,233)
2023	(421,761)
2024	(259,838)
2025	(222,959)
2026	-
Thereafter	-

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

*Plan Description*

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

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

*Benefits Provided*

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

*Membership Information*

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

Members	12/31/2020	12/31/2021
Number of Inactive Employees Entitled to but not yet Receiving Benefits <sup>(1)</sup> :	23	21
Number of Active Employees:	38	48
Average Age of Active Employees:	48.80	46.96
Average Length of Service in Years for Active Employees:	7.68	6.22
<hr/>		
Inactive Employees Receiving Benefits <sup>(1)</sup>		
Number of Benefit Recipients <sup>(1)</sup> :	30	32

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

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Funding Policy*

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

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

Coverage Type	2021	
	GTL Rate	Amount
Active Member GTL Benefit	0.22%	\$ 2,803
Retiree GTL Benefit	0.23%	2,930

*Total OPEB Liability*

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

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

	<u>12/31/2020</u>	<u>12/31/2021</u>
Total OPEB Liability	\$183,696	\$188,969

*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 Level Percent of Salary
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	Terrell County specific table
Investment Rate of Return	2.06%
	20-year Bond GO Index published by bondbuyer.com as of 12/31/21.
Cost-of-Living Adjustments	Does not apply
Disability	Terrell County specific table
Mortality	Terrell County specific table
Retirement	Terrell County specific table
Other Termination of Employment	Terrell County specific table

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

*Discount Rate*

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

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

The following presents the net pension liability of the County, calculated using the discount rate of 2.06%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 1.06%, or 1-percentage-point higher, 3.06%, than the current rate:

	1% Decrease	Current	1% Increase
Discount Rate	1.06%	2.06%	3.06%
Total OPEB Liability	\$ 232,663	\$ 188,969	\$ 156,260

*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, 2020	\$ 183,696
Changes for the Year:	
Service Cost	6,511
Interest on Total OPEB Liability (1)	4,001
Changes in Benefit Terms (2)	-
Effect of Economic/Demographic Experience	(5,022)
Effect of Assumptions Changes or Inputs (3)	2,713
Benefit Payments	(2,930)
Balances as of December 31, 2021	<u>\$ 188,969</u>

*OPEB Expense and Deferred Inflows and Outflows of Resources*

For the year ended September 30, 2022, the County recognized OPEB expense of (\$17,439).

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, 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	\$ 3,561	\$ 5,653
Changes of Assumptions	25,688	2,637
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Made Subsequent to the Measurement Date	3,366	-
<b>Total</b>	<b>\$ 32,615</b>	<b>\$ 8,290</b>

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
2022	\$ 9,009
2023	12,525
2024	(575)
2025	-
2026	-
Thereafter	-

**NOTE-8 LONG-TERM LIABILITIES**

Changes in the government's long-term liabilities for the year ended September 30, 2022 are as follows:

Description	Balance 10/1/21	Additions	Deletions	Balance 9/30/22	Due in One Year
<b>Notes Payable</b>					
DivLend Equipment Leasing	\$ -	\$ 53,243	\$ (18,275)	\$ 34,968	\$ 17,225
Total Bonds Payable	-	53,243	(18,275)	34,968	17,225
<b>Other Long-Term Debt</b>					
Compensated Absences	25,513	17,922	(25,513)	17,922	8,961
Total Other Long-Term Debt	25,513	17,922	(25,513)	17,922	8,961
<b>Gov. Activities Long-term Liabilities</b>	<b>\$ 25,513</b>	<b>\$ 71,165</b>	<b>\$ (43,788)</b>	<b>\$ 52,890</b>	<b>\$ 26,186</b>

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.

TERRELL COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**NOTE-9 INTERFUND RECEIVABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Operation Lone Star Grant	\$ 394,838
	Other Special Revenue Funds	126,569
Total General Fund		<u>521,407</u>
Courthouse and Jail Fund	General Fund	115,031
Total Venue Fund		<u>115,031</u>
Hotel/Motel Tax Fund	General Fund	6,311
Total Hotel/Motel Tax Fund		<u>6,311</u>
Permanent School Fund	General Fund	1,318
Total Permanent School Fund		<u>1,318</u>
Total		<u>\$ 644,067</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, 2022 is as follows:

	<u>Transfer In To:</u>
	<u>Governmental Funds</u>
	<u>General Fund - Regular</u>
<b>Transfer Out From:</b>	
General Fund-Courthouse and Jail	\$ 19,909
Total	<u>\$ 19,909</u>

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

TERRELL COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**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.

*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, 2022

**OPINION DISCLAIMED**

	Budgeted Amounts		General Fund	Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 1,671,395	\$ 1,671,395	\$ 1,642,330	\$ (29,065)
General Sales and Use Taxes	98,100	98,100	708,040	609,940
Fines, Fees, and Permits	109,150	109,150	143,817	34,667
Charges for Services	342,156	342,156	365,639	23,483
Rent and Lease Income	15,000	15,000	15,325	325
Donations	2,500	2,500	2,699	199
Intergovernmental Revenues	143,734	143,734	165,469	21,735
Investment Income	10,000	10,000	208,255	198,255
Other Revenue	146,143	146,143	182,652	36,509
<b>Total Revenues</b>	<b>2,538,178</b>	<b>2,538,178</b>	<b>3,434,226</b>	<b>896,048</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,035,795	1,035,795	1,040,559	(4,764)
Public Safety	433,662	433,662	180,864	252,798
Justice System	187,894	187,894	149,017	38,877
Transportation	307,546	307,546	285,493	22,053
Culture and Recreation	66,395	66,395	49,746	16,649
Health and Human Services	744,161	744,161	565,419	178,742
Economic Development	2,200	2,200	2,200	-
Debt Service:				
Principal	20,000	20,000	18,275	1,725
Capital Outlay	55,000	55,000	53,243	1,757
<b>Total Expenditures</b>	<b>2,852,653</b>	<b>2,852,653</b>	<b>2,344,816</b>	<b>507,837</b>
Excess (Deficiency) of Revenue Over Expenditures	(314,475)	(314,475)	1,089,410	1,403,885
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	53,243	53,243
Transfers In	366,983	366,983	19,909	(347,074)
Transfers Out	-	-	(19,909)	(19,909)
Other Uses	-	-	(554,278)	(554,278)
<b>Total Other Financing Sources (Uses)</b>	<b>366,983</b>	<b>366,983</b>	<b>(501,035)</b>	<b>(868,018)</b>
Net Change in Fund Balance	52,508	52,508	588,375	535,867
Fund Balance - Beginning	519,492	519,492	519,492	-
Fund Balance - Ending	\$ 572,000	\$ 572,000	\$ 1,107,867	\$ 535,867

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

9-30-22

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, 2022

	Measurement Year			
	2021	2020	2019	2018
Total Pension Liability				
Service Cost	\$ 122,018	\$ 145,365	\$ 146,347	\$ 150,880
Interest on Total Pension Liability	579,253	572,761	561,077	542,575
Effect of Plan Changes	-	-	-	-
Effect of Assumption Changes or Inputs	(22,809)	374,566	-	-
Effect of Economic/Demographic (Gains)/Losses	(113,132)	42,068	(56,979)	(22,528)
Benefit Payments/Refunds of Contributions	(595,238)	(527,001)	(484,262)	(393,456)
Net Change in Total Pension Liability	(29,908)	607,759	166,183	277,471
Total Pension Liability, Beginning	7,791,895	7,184,135	7,017,951	6,740,479
Total Pension Liability, Ending (a)	<u>\$ 7,761,987</u>	<u>\$ 7,791,894</u>	<u>\$ 7,184,134</u>	<u>\$ 7,017,950</u>
Fiduciary Net Position				
Employer Contributions	\$ 96,318	\$ 90,420	\$ 85,437	\$ 84,604
Member Contributions	63,702	59,238	60,679	62,852
Investment Income Net of Investment Expenses	1,705,354	784,446	1,122,434	(137,410)
Benefit Payments/Refunds of Contributions	(595,238)	(527,001)	(484,262)	(393,456)
Administrative Expenses	(5,003)	(5,848)	(5,792)	(5,488)
Other	(10,126)	(10,413)	(10,518)	(6,604)
Net Change in Fiduciary Net Position	1,255,007	390,842	767,978	(395,502)
Fiduciary Net Position, Beginning	7,991,674	7,600,832	6,832,854	7,228,355
Fiduciary Net Position, Ending (b)	<u>\$ 9,246,681</u>	<u>\$ 7,991,674</u>	<u>\$ 7,600,832</u>	<u>\$ 6,832,853</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (1,484,694)</u>	<u>\$ (199,780)</u>	<u>\$ (416,697)</u>	<u>\$ 185,097</u>
Fiduciary Net Position as a % of Total Pension Liab.	119.13%	102.56%	105.80%	97.36%
Pension Covered Payroll	\$ 1,274,048	\$ 1,184,767	\$ 1,213,581	\$ 1,257,045
Net Pension Liab./(Asset) as a % of Covered Payroll	-116.53%	-16.86%	-34.34%	14.72%

Measurement Year			
2017	2016	2015	2014
\$ 172,586	\$ 293,652	\$ 263,344	\$ 257,689
519,583	510,621	486,113	446,760
-	(165,466)	(28,966)	-
12,986	-	60,515	-
(17,233)	(308,931)	(134,037)	(16,145)
(371,679)	(287,902)	(238,421)	(203,665)
316,243	41,974	408,548	484,639
6,424,236	6,382,261	5,973,712	5,489,073
\$ 6,740,479	\$ 6,424,235	\$ 6,382,260	\$ 5,973,712
\$ 77,650	\$ 231,120	\$ 239,735	\$ 229,417
63,961	107,797	111,727	106,072
947,784	444,728	(113,513)	368,683
(371,679)	(287,902)	(238,421)	(203,666)
(4,807)	(4,839)	(4,323)	(4,434)
(3,129)	24,784	15,591	(11,204)
709,780	515,688	10,796	484,868
6,518,575	6,002,886	5,992,089	5,507,221
\$ 7,228,355	\$ 6,518,574	\$ 6,002,885	\$ 5,992,089
\$ (487,876)	\$ (94,339)	\$ 379,375	\$ (18,376)
107.24%	101.47%	94.06%	100.31%
\$ 1,279,228	\$ 1,539,953	\$ 1,596,100	\$ 1,515,313

*THIS PAGE IS INTENTIONALLY BLANK*

TERRELL COUNTY, TEXAS  
 SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 205,099	\$ 239,735	\$ 34,636	\$ 1,596,100	15.02%
2016	192,494	231,120	38,626	1,539,953	15.01%
2017	111,677	111,677	-	1,297,228	8.61%
2018	81,774	81,774	-	1,243,539	6.58%
2019	87,218	87,218	-	1,232,449	7.08%
2020	89,828	89,828	-	1,210,032	7.42%
2021	89,598	89,598	-	1,182,876	7.57%
2022	85,312	85,312	-	1,291,012	6.61%

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

Notes to the Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amort. Period	0.0 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: Employer contributions reflect that the member contribution rate was decreased to 5% and the current service matching rate was decreased to 150%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule 2021: 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, 2022

	Measurement Year				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 6,511	\$ 7,250	\$ 4,408	\$ 4,097	\$ 3,533
Interest on Total OPEB Liability	4,001	4,190	4,639	4,348	4,460
Effect of Assumption Changes or Inputs	2,713	20,782	31,104	(13,189)	4,941
Effect of Economic/Demographic Experience	(5,022)	7,121	(452)	(6,117)	(2,880)
Benefit Payments	(2,930)	(2,606)	(2,913)	(2,514)	(1,919)
Net Change in Total OPEB Liability	5,273	36,737	36,786	(13,375)	8,135
Total OPEB Liability, Beginning	183,696	146,959	110,173	123,548	115,413
Total OPEB Liability, Ending (a)	\$ 188,969	\$ 183,696	\$ 146,959	\$ 110,173	\$ 123,548
Pensionable Covered Payroll	\$ 1,274,048	\$ 1,184,767	\$ 1,213,581	\$ 1,257,045	\$ 1,279,228
Net OPEB Liability as a % of Covered Payroll	14.83%	15.50%	12.11%	8.76%	9.66%



TERRELL COUNTY, TEXAS  
 SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFITS CONTRIBUTIONS  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 GROUP TERM LIFE PROGRAM  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ending September 30,	Employer Contribution Rate Applicable to Retirees	Contributions	Pensionable Covered Payroll
2018	52.55%	\$ 2,232	\$ 1,243,539
2019	54.55%	2,514	1,232,449
2020	50.00%	2,913	1,210,032
2021	51.11%	2,606	1,184,767
2022	63.64%	4,411	1,291,012

*Only five 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  
 SEPTEMBER 30, 2022

	<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
<b>ASSETS</b>				
Cash and Temporary Investments	\$ -	\$ 15,010	\$ 188,301	\$ 26,164
Investments	731,283	-	-	-
Property Taxes Receivable	170,078	-	-	-
Allowance for Uncollectible Taxes	(17,008)	-	-	-
Accounts Receivable	14,679	-	-	-
Due from Other funds	338,638	-	115,031	-
Total Assets	<u>\$ 1,237,670</u>	<u>\$ 15,010</u>	<u>\$ 303,332</u>	<u>\$ 26,164</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 39,905	\$ -	\$ 3,500	\$ -
Accrued Salaries and Wages	53,284	-	-	-
Due to Other Funds	116,349	-	115,031	-
Accrued Expenditures	6,943	-	-	-
Unearned Revenues	25,666	-	-	-
Other Liabilities	405	-	-	-
Total Liabilities	<u>242,552</u>	<u>-</u>	<u>118,531</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - Property Taxes	153,070	-	-	-
Total Deferred Inflows of Resources	<u>153,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Committed for:				
Other Purposes	-	15,010	184,801	26,164
Unassigned	842,048	-	-	-
Total Fund Balances	<u>842,048</u>	<u>15,010</u>	<u>184,801</u>	<u>26,164</u>
Total Liabilities and Fund Balances	<u>\$ 1,237,670</u>	<u>\$ 15,010</u>	<u>\$ 303,332</u>	<u>\$ 26,164</u>

041                      050                      060

SUB-GENERAL FUNDS

Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$ 6,356	\$ 13,523	\$ 19,965	\$ 269,319
-	-	-	731,283
-	-	-	170,078
-	-	-	(17,008)
-	-	-	14,679
-	-	-	453,669
<u>\$ 6,356</u>	<u>\$ 13,523</u>	<u>\$ 19,965</u>	<u>\$ 1,622,020</u>
\$ -	\$ -	\$ -	\$ 43,405
-	-	-	53,284
-	-	-	231,380
-	-	-	6,943
-	-	-	25,666
-	-	-	405
-	-	-	361,083
-	-	-	153,070
-	-	-	153,070
6,356	13,523	19,965	265,819
-	-	-	842,048
<u>6,356</u>	<u>13,523</u>	<u>19,965</u>	<u>1,107,867</u>
<u>\$ 6,356</u>	<u>\$ 13,523</u>	<u>\$ 19,965</u>	<u>\$ 1,622,020</u>

TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 SUB-GENERAL FUND DETAIL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**OPINION DISCLAIMED**

	<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
<b>REVENUES</b>				
* Property Taxes	\$ 1,037,969	\$ 194,824	\$ 400,184	\$ 9,353
General Sales and Use Taxes	708,040	-	-	-
Fines, Fees, and Permits	76,963	66,450	-	-
Charges for Services	365,200	150	-	-
Rent and Lease Income	500	-	-	-
Donations	2,699	-	-	-
Intergovernmental Revenues	144,712	19,625	-	1,132
Investment Income	208,130	-	-	-
Other Revenue	112,074	-	69,053	-
Total Revenues	2,656,287	281,049	469,237	10,485
<b>EXPENDITURES</b>				
Current:				
General Government	808,008	92,540	140,011	-
Public Safety	72,658	-	108,206	-
Justice System	139,268	-	1,866	7,883
Transportation	1,835	265,311	-	-
Culture and Recreation	49,746	-	-	-
Health and Human Services	565,419	-	-	-
Economic Development	2,200	-	-	-
Debt Service:				
Principal	-	-	18,275	-
Capital Outlay	53,243	-	-	-
Total Expenditures	1,692,377	357,851	268,358	7,883
Excess (Deficiency) of Revenue Over Expenditures	963,910	(76,802)	200,879	2,602
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	53,243	-	-	-
Transfers In	19,909	-	-	-
Transfers Out	-	-	(19,909)	-
Other Uses	(390,743)	(8,129)	2,930	(1,819)
Total Other Financing Sources (Uses)	(317,591)	(8,129)	(16,979)	(1,819)
Net Change in Fund Balance	646,319	(84,931)	183,900	783
Fund Balance-Beginning	195,729	99,941	901	25,381
Fund Balance-Ending	\$ 842,048	\$ 15,010	\$ 184,801	\$ 26,164

<i>041</i>	<i>050</i>	<i>060</i>	
<u>SUB-GENERAL FUNDS</u>			
Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$ -	\$ -	\$ -	\$ 1,642,330
-	-	-	708,040
404	-	-	143,817
289	-	-	365,639
-	-	14,825	15,325
-	-	-	2,699
-	-	-	165,469
-	-	125	208,255
-	-	1,525	182,652
<u>693</u>	<u>-</u>	<u>16,475</u>	<u>3,434,226</u>
-	-	-	1,040,559
-	-	-	180,864
-	-	-	149,017
-	-	18,347	285,493
-	-	-	49,746
-	-	-	565,419
-	-	-	2,200
-	-	-	18,275
-	-	-	53,243
<u>-</u>	<u>-</u>	<u>18,347</u>	<u>2,344,816</u>
<u>693</u>	<u>-</u>	<u>(1,872)</u>	<u>1,089,410</u>
-	-	-	53,243
-	-	-	19,909
-	-	-	(19,909)
(225)	(156,292)	-	(554,278)
<u>(225)</u>	<u>(156,292)</u>	<u>-</u>	<u>(501,035)</u>
468	(156,292)	(1,872)	588,375
5,888	169,815	21,837	519,492
<u>\$ 6,356</u>	<u>\$ 13,523</u>	<u>\$ 19,965</u>	<u>\$ 1,107,867</u>



*THIS PAGE IS INTENTIONALLY BLANK*

TERRELL COUNTY, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS AND FIDUCIARY FUND DESCRIPTIONS  
SEPTEMBER 30, 2022

**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.

Hotel/Motel Tax Fund – Accounts for receipts of Hotel/Motel tax revenue within the County that is then restricted for spending on purposes that contribute to increasing economic activity.

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

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

Operation Stonegarden Funds (2) – Account for the revenue and expenditures received for administering this federal grant program. Separate funds are used for each fiscal year.

American Rescue Plan – Accounts for revenues received and expenditures made for this special grant funding received in relation to the COVID-19 pandemic.

CARES Act (COVID) – Accounts for revenues received and expenditures made for this special grant funding received in relation to the COVID-19 pandemic.

Justice Grant – Accounts for the revenues received for this federal grant and expenditures on law enforcement equipment.

Operation Lone Star Grant – Accounts for revenues and related expenditures in relation to this state sponsored grant which addresses the Texas/Mexico border crisis.

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

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

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.

Colonia Grant Fund – Accounts for revenues received on this federal CDBG grant and their subsequent pass-through to the Terrell County Water Control and Improvement District.

Tax Notes 2007 Fund – Accounts for the residual resources held on the issued Tax Notes from 2007.

**Debt Service Fund**

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

TERRELL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2022

	160	066	154	121	122	130	140
	SPECIAL REVENUE FUNDS						
	Hotel/Motel Tax	Visitors Center	Local Border Security Program - 2021	Operation Stonegarden 2020	Operation Stonegarden - 2021	American Rescue Plan	Cares Act (COVID-19)
<b>ASSETS</b>							
Cash and Temporary Investments	\$ 33,536	\$ 1,740	\$ 2,983	\$ -	\$ -	\$ 4,295	\$ 24,588
Investments	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Due from Other funds	6,311	-	-	-	-	-	-
<b>Total Assets and Def. Outflows</b>	<b>\$ 39,847</b>	<b>\$ 1,740</b>	<b>\$ 2,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,295</b>	<b>\$ 24,588</b>
<b>LIABILITIES</b>							
Due to Other Funds	\$ -	\$ -	\$ 903	\$ -	\$ -	\$ 4,295	\$ -
Unearned Revenues	-	-	-	-	-	-	24,588
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>903</b>	<b>-</b>	<b>-</b>	<b>4,295</b>	<b>24,588</b>
<b>FUND BALANCES</b>							
Restricted for:							
Debt Service	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Other Purposes	39,847	-	-	-	-	-	-
Committed for:							
Other Purposes	-	1,740	2,080	-	-	-	-
<b>Total Fund Balances</b>	<b>39,847</b>	<b>1,740</b>	<b>2,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Bal.</b>	<b>\$ 39,847</b>	<b>\$ 1,740</b>	<b>\$ 2,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,295</b>	<b>\$ 24,588</b>

<i>067</i>	<i>158</i>	<i>043</i>	<i>065</i>	<i>080</i>	<i>134</i>	<i>056</i>	<i>059</i>	
SPECIAL REVENUE FUNDS					CAPITAL PROJECT FDS. DEBT SVC.			
Justice Grant	Operation Lone Star Grant	JP Tech Fund	Historical Commission	Records Preservation Fund	Colonia CDBG Grant	Tax Notes 2007	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ 5,277	\$ 6,034	\$ 11,687	\$ 125	\$ -	\$ 4,537	\$ 94,802
-	-	-	7,149	540	-	626	1	8,316
12,652	394,837	-	-	-	-	-	-	407,489
-	-	-	-	-	-	-	-	6,311
<u>\$ 12,652</u>	<u>\$ 394,837</u>	<u>\$ 5,277</u>	<u>\$ 13,183</u>	<u>\$ 12,227</u>	<u>\$ 125</u>	<u>\$ 626</u>	<u>\$ 4,538</u>	<u>\$ 516,918</u>
\$ 12,652	\$ 394,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 412,687
-	-	-	-	-	-	-	-	24,588
<u>12,652</u>	<u>394,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,275</u>
-	-	-	-	-	-	-	4,538	4,538
-	-	-	-	-	125	626	-	751
-	-	5,277	-	12,227	-	-	-	57,351
-	-	-	13,183	-	-	-	-	17,003
-	-	5,277	13,183	12,227	125	626	4,538	79,643
<u>\$ 12,652</u>	<u>\$ 394,837</u>	<u>\$ 5,277</u>	<u>\$ 13,183</u>	<u>\$ 12,227</u>	<u>\$ 125</u>	<u>\$ 626</u>	<u>\$ 4,538</u>	<u>\$ 516,918</u>

TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**OPINION DISCLAIMED**

	160	066	154	121	122	130	140
	SPECIAL REVENUE FUNDS						
	Hotel/Motel Tax	Visitors Center	Border Security Program - 2021	Operation Stonegarden - 2020	Operation Stonegarden - 2021	American Rescue Plan	Cares Act (COVID-19)
<b>REVENUES</b>							
General Sales and Use Taxes	\$ 20,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, Fees, and Permits	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-
Investment Income	-	-	-	95,894	44,392	75,000	12,797
Intergovernmental Revenues	101	-	-	-	-	77	-
Other Revenue	-	2,576	-	-	-	-	-
Total Revenues	20,937	2,576	-	95,894	44,392	75,077	12,797
<b>EXPENDITURES</b>							
Current:							
General Government	2,731	-	-	-	-	-	-
Public Safety	-	-	-	95,894	44,392	75,077	16,511
Economic Development	-	3,522	-	-	-	-	-
Total Expenditures	2,731	3,522	-	95,894	44,392	75,077	16,511
Excess (Deficiency) of Revenue Over Expenditures	18,206	(946)	-	-	-	-	(3,714)
Net Change in Fund Balance	18,206	(946)	-	-	-	-	(3,714)
Fund Balance-Beginning	21,641	2,686	2,080	-	-	-	3,714
Fund Balance-Ending	\$ 39,847	\$ 1,740	\$ 2,080	\$ -	\$ -	\$ -	\$ -

<i>067</i>	<i>158</i>	<i>043</i>	<i>065</i>	<i>080</i>	<i>134</i>	<i>056</i>	<i>059</i>	
CAPITAL PROJECT FDS. DEBT SVC.								
Justice Grant	Operation Lone Star Grant	JP Tech Fund	Historical Commission	Records Preservation Fund	Colonia CDBG Grant	Tax Notes 2007	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,836
-	-	443	-	7,394	-	-	-	7,837
-	-	-	1,366	6,811	-	-	-	8,177
19,971	442,053	-	-	-	20,139	-	-	710,246
-	-	-	46	107	15	4	23	373
-	-	-	29	-	-	-	-	2,605
19,971	442,053	443	1,441	14,312	20,154	4	23	750,074
-	-	-	-	27,306	-	-	-	30,037
19,971	442,053	-	-	-	-	-	-	693,898
-	-	-	-	-	-	-	-	3,522
19,971	442,053	-	-	27,306	-	-	-	727,457
-	-	443	1,441	(12,994)	20,154	4	23	22,617
-	-	443	1,441	(21,292)	125	(583)	23	(6,297)
-	-	4,834	11,742	33,519	-	1,209	4,515	85,940
\$ -	\$ -	\$ 5,277	\$ 13,183	\$ 12,227	\$ 125	\$ 626	\$ 4,538	\$ 79,643

TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 SEPTEMBER 30, 2022

	85	92	
	PRIVATE PURPOSE TRUST FUNDS		
	Permanent School Fund	Cemetery Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 790,671	\$ 34,142	\$ 824,813
Investments	20,334,174	54,567	20,388,741
Due from Other funds	1,318	-	1,318
Notes Receivable	225,000	-	225,000
Total Assets	21,351,163	88,709	21,439,872
<b>NET POSITION (DEFICITS)</b>			
Restricted for Participants	21,351,163	88,709	21,439,872
Total Net Position	\$ 21,351,163	\$ 88,709	\$ 21,439,872



TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF ACTIVITIES  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**OPINION DISCLAIMED**

	85	92	
	<u>PRIVATE PURPOSE TRUST FUNDS</u>		
	Permanent School Fund	Cemetery Fund	Total Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Rent and Lease Income	\$ 87,137	\$ 2,732	\$ 89,869
Donations	-	550	550
Other Revenue	5,378	176	5,554
Total Contributions	<u>92,515</u>	<u>3,458</u>	<u>95,973</u>
Investment Earnings:			
Investment Income	247,295	114	247,409
Total Investment Income	<u>247,295</u>	<u>114</u>	<u>247,409</u>
<b>TOTAL ADDITIONS</b>	<u>339,810</u>	<u>3,572</u>	<u>343,382</u>
<b>DEDUCTIONS</b>			
Payments to Beneficiaries	1,418,847	-	1,418,847
Investment Fees	9,442	-	9,442
Repairs and Maintenance	-	474	474
Other Operating Costs	140,467	573	141,040
Total Expenses	<u>1,568,756</u>	<u>1,047</u>	<u>1,569,803</u>
Increase (Decrease) in Net Position	(1,228,946)	2,525	(1,226,421)
Net Position - Beginning	22,580,109	86,184	22,666,293
Net Position - Ending	<u>\$ 21,351,163</u>	<u>\$ 88,709</u>	<u>\$ 21,439,872</u>

TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET POSITION  
 CUSTODIAL FUNDS  
 SEPTEMBER 30, 2022

	<u>71</u>	<u>72</u>	<u>73</u>	<u>101</u>	<u>102</u>
	<u>CUSTODIAL FUNDS</u>				
	<u>Sheriff's Forfeiture Fund</u>	<u>Sheriff's Education Fund</u>	<u>Sheriff's Towing</u>	<u>Tax Assessor/ Collector</u>	<u>Clerk Case Fund</u>
<b>ASSETS</b>					
Cash and Temporary Investments	\$ 34,313	\$ 3,680	\$ 11,575	\$ 8,215	\$ 27,273
Due from Others	127	-	-	-	"
Total Assets	<u>34,440</u>	<u>3,680</u>	<u>11,575</u>	<u>8,215</u>	<u>27,273</u>
<b>NET POSITION (DEFICITS)</b>					
Restricted for Remittance to County	<u>34,440</u>	<u>3,680</u>	<u>11,575</u>	<u>8,215</u>	<u>27,273</u>
Total Net Position	<u>\$ 34,440</u>	<u>\$ 3,680</u>	<u>\$ 11,575</u>	<u>\$ 8,215</u>	<u>\$ 27,273</u>

	103	104	105	107	108	
<u>CUSTODIAL FUNDS</u>						
<u>Clerk Fee Fund</u>	<u>Clerk Bond Account</u>	<u>Clerk Trust Account</u>	<u>JP Pct. 1 &amp; 2 - Arredondo</u>	<u>JP Pct. 3 &amp; 4 - Ellis</u>	<u>Total Custodial Funds</u>	
\$ 25,561	\$ 15,765	\$ 10,348	\$ 15,436	\$ 26,790	\$ 178,956	
-	-	-	-	-	127	
<u>25,561</u>	<u>15,765</u>	<u>10,348</u>	<u>15,436</u>	<u>26,790</u>	<u>179,083</u>	
25,561	15,765	10,348	15,436	26,790	179,083	
<u>\$ 25,561</u>	<u>\$ 15,765</u>	<u>\$ 10,348</u>	<u>\$ 15,436</u>	<u>\$ 26,790</u>	<u>\$ 179,083</u>	

TERRELL COUNTY, TEXAS  
 COMBINING SCHEDULE OF ACTIVITIES  
 CUSTODIAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

**OPINION DISCLAIMED**

	71	72	73	101	102
	CUSTODIAL FUNDS				
	Sheriff's Forfeiture Fund	Sheriff's Education Fund	Sheriff's Towing	Tax Assessor/ Collector	Clerk Case Fund
<b>ADDITIONS</b>					
Contributions:					
Collections for County Services	\$ 5,801	\$ 898	\$ 14,781	\$ 302,476	\$ 12,614
Total Contributions	<u>5,801</u>	<u>898</u>	<u>14,781</u>	<u>302,476</u>	<u>12,614</u>
<b>TOTAL ADDITIONS</b>	<u>5,801</u>	<u>898</u>	<u>14,781</u>	<u>302,476</u>	<u>12,614</u>
<b>DEDUCTIONS</b>					
Miscellaneous Expenditures	34,551	360	3,206	298,947	1,719
Total Expenses	<u>34,551</u>	<u>360</u>	<u>3,206</u>	<u>298,947</u>	<u>1,719</u>
Increase (Decrease) in Net Position	(28,750)	538	11,575	3,529	10,895
Net Position - Beginning	63,190	3,142	-	4,686	16,378
Net Position - Ending	<u>\$ 34,440</u>	<u>\$ 3,680</u>	<u>\$ 11,575</u>	<u>\$ 8,215</u>	<u>\$ 27,273</u>

<i>103</i>	<i>104</i>	<i>105</i>	<i>107</i>	<i>108</i>	
CUSTODIAL FUNDS					
Clerk Fee Fund	Clerk Bond Account	Clerk Trust Account	JP Pct. 1 & 2 - Arredondo	JP Pct. 3 & 4 - Ellis	Total Custodial Funds
\$ 43,125	\$ 900	\$ 169	\$ 49,505	\$ 52,590	\$ 482,859
43,125	900	169	49,505	52,590	482,859
43,125	900	169	49,505	52,590	482,859
20,707	-	-	46,783	36,596	442,869
20,707	-	-	46,783	36,596	442,869
22,418	900	169	2,722	15,994	39,990
3,143	14,865	10,179	12,714	10,796	139,093
\$ 25,561	\$ 15,765	\$ 10,348	\$ 15,436	\$ 26,790	\$ 179,083

*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 Terrell County, Texas (hereafter the "County"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 24, 2023.

**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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we consider to be a material weakness. This matter is described in the accompanying schedule of findings and questioned costs as finding 2022-001. In addition, other material weaknesses may exist that have not been identified.

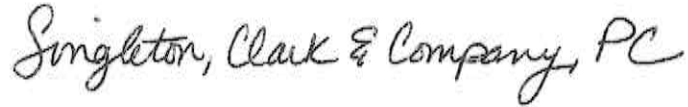
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This matter is labeled as finding 2022-002 in the schedule of findings and questioned costs.

*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  
Alpine, Texas

July 24, 2023

*THIS PAGE IS INTENTIONALLY BLANK*



TERRELL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued:	Partial Disclaimed Partial Unmodified	(See Page 1) (See Page 1)
Internal control over financial reporting:		
• Material weakness(es) identified? 2022-001 Accounting and Financial Reporting	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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:

2022-001 Accounting and Financial Reporting (Material Weakness) 444

**Criteria:** Counties are required by state law to issue external financial statements annually in order to provide information to the public and to the state and federal governments regarding the County’s finances. In addition, a county needs current and accurate information available from its accounting system at all times in order to provide for the effective management of daily financial matters and to show proper accountability for the money it receives from taxpayers and other governments.

**Condition Found:** During the year, and also as reported in previous audits, the Treasurer’s Office did not keep the County bookkeeping and accounting information current on a monthly basis. It was noted during the audit that key accounting procedures such as bank reconciliations were not completed accurately during the year and many contained material errors at the time of the audit. In addition, the accounting ledgers of the County were not reviewed on a regular basis to ensure they reflected accurate and useful information. As a result of these conditions existing, Terrell County experienced the following events during the year:

- Grant audits conducted by the Office of the Texas Governor on the Operation Stonegarden grants resulted in Terrell County being required to pay back grant funds in the amounts of \$39,000 and \$15,495 from two separate findings for a total of \$54,495. The reasons noted in the state audit requiring the refunds were incomplete documentation and grant ledgers not maintained.

*THIS PAGE IS INTENTIONALLY BLANK*

TERRELL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**SECTION II -- FINANCIAL STATEMENT FINDINGS (Continued)**

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

2022-001 Accounting and Financial Reporting (Material Weakness) (Continued)

- Notification by the Governor's Office of future scrutiny over grant funding and that funding holds may be imposed upon Terrell County with each requested grant draw in order for them to verify proper documentation exists in advance.
- Grant money available for the County to claim on the Operation Lone Star grant as of September 30, 2022, approximating \$370,000, went unclaimed for ten months and was only claimed after notification of this condition by the audit firm.
- A certificate of deposit in the amount of \$200,000 noted from Pecos State Bank was represented on the books of the County as being valid. However the audit ultimately determined this was an accounting error.
- Perpetual underpayment of payroll taxes, resulting in cumulative underpayments approximating \$10,000 which the Treasurers Office had been unaware of and was required to catch up due to a payment demand letter from the IRS.
- Required audit adjusting entries totaling 46 in FY22 (Also 46 in FY21, 38 in FY20, and 55 in FY19) which represented needed accounting corrections to the books in order to the prepare the County's publicly issued financial statements.
- The financial reports generated from the accounting system by the Treasurer's office not only provided little value to the Office of the Texas Governor during the previously mentioned grants audits, but also were not sufficient to provide useable information for the County's internal financial management needs related to budget creation for upcoming fiscal years or year-to-date budget-to-actual information for reliable monitoring of financial progress during fiscal years.
- Material errors were detected during the audit on the General Operating bank reconciliation and other accounts that represent the cumulative result of the accounting for the twelve months of the fiscal year not being prepared accurately or reviewed timely. Resolution of this issue is beyond the scope of a regular annual financial audit. To set the bank balances of the County to confirmed amounts by the bank, net of known reconciling items, cumulative blind adjustments were required to be made to the County records approximating \$650,000.
- As a result of the condition described in the previous bullet point, the audit firm has issued a disclaimed opinion on the financial statements that present the revenues and expenditures of the County. This is due to the required blind adjustment that was needed to correct the cash and other accounts.

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 Treasurer or someone within the Treasurer's office possess governmental accounting and other financial management skills in order to meet the internal and external financial reporting requirements of their county. There is currently not an individual in the Treasurer's Office with these required skills.

*THIS PAGE IS INTENTIONALLY BLANK*



TERRELL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2022-001 Accounting and Financial Reporting (Material Weakness) (Continued)

**Effect:** The noted accounting and other deficiencies resulted in the County not having current and accurate accounting information available for both internal and external reporting needs, neither as the year progressed, nor for the state special audits or the regularly scheduled year-end financial audit. This condition has also resulted in the County being required to refund significant amounts of grant money to the state, as previously described, and has put the County at significant risk of further required grant refunds should the state continue with further desk audits due to the high risk status they have now placed on Terrell County.

**Recommendation:** Due to the County receiving an audit finding on this topic for the fiscal years 2019, 2020, 2021, and 2022 without conditions showing improvement, and the recent higher level of grant audit activity and scrutiny from the Office of the Texas Governor resulting in significant funding losses, we recommend the Terrell County Commissioners Court escalate this issue to a matter of critical importance that warrants immediate attention and action in order to ensure that going forward the County can meet its accounting and financial reporting responsibilities to the public and the state and federal governments.

---

2022-002 Budgetary Non-Compliance

**Criteria:** As a financial control, each year the County adopts an expenditures budget by ordinance which places legal limits on the amount of expenditures that can be made from various departmental line items by the County. As a year progresses, if unanticipated expenditures arise, the Commissioners may approve amendments to the originally adopted budget to accommodate higher expenditure needs in a given department.

**Condition Found:** As of year-end, the General Fund expenditures budget exhibit showed as approximately \$508,000 under budget overall. However, other expenditures that were unable to be classified to a functional line item of the budget, and therefore presented in the Other Uses line, totaled just over \$554,000. This Other Uses amount added to the total expenditures line indicates total County expenditures exceeded the budget overall by just over \$46,000.

**Cause:** The adopted budget of the County is not being used as an effective tool to help guide expenditures, and the budget is not being amended as needed as a year progresses. In addition, the deficient accounting processes described in finding 2022-001 contributed to this condition.

**Effect:** The effect is the County has not complied with the legally adopted expenditures budget and actual expenditures made were more than anticipated.

*THIS PAGE IS INTENTIONALLY BLANK*

TERRELL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2022-002 Budgetary Non-Compliance (Continued)

**Recommendation:** We recommend the County financial managers monitor budget-to-actual progress at least quarterly. The Commissioners should also receive budget to actual reports within their regular packets at each meeting. As needed, budget amendments should be proposed to the Commissioners.

---

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

2021-001 Accounting and Financial Reporting

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

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

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

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

**Recommendation:** We recommend the Treasurer's Office obtain in-house accounting assistance to better address the difficulties it has been experiencing with bank reconciliation and general accounting functions.



*THIS PAGE IS INTENTIONALLY BLANK*

TERRELL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

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

2021-001 Accounting and Financial Reporting (Continued)

Current Status: During the FY22 audit, we noted that issues with accounting and financial reporting continue to persist and did not show improvement.

Contact Person: Rebecca Lucvano, County Treasurer

Criteria: As a financial control, each year the County adopts an expenditures budget by ordinance which places legal limits on the amount of expenditures that can be made from various departmental line items by the County. As a year progresses, if unanticipated expenditures arise, the Commissioners may approve amendments to the originally adopted budget to accommodate higher expenditure needs in a given department.

Condition Found: As of year-end, it was noted that the Public Safety line item of the General Fund budget was overspent by \$71,483, and the Capital Outlay line item was over spent by \$77,000.

Cause: The adopted budget of the County is not being used as an effective tool to help guide expenditures, and the budget is not being amended as needed as a year progresses.

Effect: The effect is the County has not complied with the legally adopted expenditures budget and actual expenditures made were more than anticipated.

Recommendation: We recommend the County financial managers monitor budget-to-actual progress at least quarterly. The Commissioners should also receive budget to actual reports within their regular packets at each meeting. As needed, budget amendments should be proposed to the Commissioners.

Current Status: During the FY22 audit, budget overages in selected line items were again reported.

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, 2022**

---

2022-001 Accounting and Financial Reporting

Corrective Action Planned:

Anticipated Completion Date: Ongoing

Contact Person: Rebecca Luevano, County Treasurer

