

TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

No. _____
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Rachine Thompson
CLERK, COUNTY COURT, TERRELL CO., TEXAS
BY: _____ DEPUTY



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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TERRELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements, the respective budgetary comparison for the General Fund 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2024 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, Texas's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Alpine, Texas

August 20, 2024

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TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,068,722 (*net position*). Of this amount, \$463,886 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased by \$1,043,679 as a result of current year operations, primarily as a result of property tax revenues in the General Fund being significantly lower than in prior years.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$689,850, which reflects a decrease of \$1,029,004 from current year operations in comparison with the prior year.
- At the end of the current fiscal year, the General Fund reported a negative fund balance of (\$167,579).

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*).

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.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 nineteen 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), the Venue Fund, the Colonia CDGB Grant Fund and the Operation Lone Star Grant - 2023 Fund, which are considered to be major funds. Data from the other fifteen governmental funds is 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 within the note disclosures section of this report. A budgetary comparison schedule has been provided for the General Fund in the required supplementary information section to demonstrate compliance with this budget.

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

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

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

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

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

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.

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.

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.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a County's financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,068,722 at the close of the most recent fiscal year.

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

Terrell County, Texas Net Position

	Governmental Activities 2023	Governmental Activities 2022	Change
ASSETS			
Current & Other Assets	\$ 1,636,714	\$ 3,793,522	\$ (2,156,808)
Capital Assets	3,782,177	3,948,347	(166,070)
Total Assets	5,418,891	7,741,769	(2,322,878)
DEFERRED OUTFLOWS			
Deferred Outflows	152,711	94,401	58,310
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,571,602	7,836,170	(2,264,568)
LIABILITIES			
Current Liabilities	202,701	155,609	47,092
Long-term Liabilities	176,547	241,859	(65,312)
Total Liabilities	379,248	397,468	(18,220)
DEFERRED INFLOWS			
Deferred Inflows	123,632	1,192,081	(1,068,449)
TOTAL LIABILITIES AND DEFERRED OUTFLOWS	502,880	1,589,549	(1,086,669)
NET POSITION			
Investment in Capital Assets, net of Related Debt	3,764,434	3,913,279	(148,845)
Restricted	840,402	728,204	112,198
Unrestricted	463,886	1,605,138	(1,141,252)
Total Net Position	\$ 5,068,722	\$ 6,246,621	\$ (1,177,899)

**TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A portion of the County's net position, \$3,764,434, or 74.3%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$840,402, or 16.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$463,886, or 9.2% 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.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$1,043,679 from the prior fiscal year for an ending balance of \$5,068,722. The decrease in net position of governmental activities is primarily the result of a significant decline in property tax revenues in the current year.

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

	Governmental Activities 2023	Governmental Activities 2022	Change
Revenues			
Program Revenues:			
Charges for Services	\$ 565,427	\$ 551,307	\$ 14,120
Operating Grants & Contributions	970,091	875,715	94,376
General Revenues:			
Property Taxes	1,111,762	1,658,483	(546,721)
General Sales and Use Taxes	194,570	1,085,317	(890,747)
Donations	4,550	2,699	1,851
Investment Earnings	38,852	208,955	(170,103)
Miscellaneous	29,367	185,782	(156,415)
Total Revenue	2,914,619	4,568,258	(1,653,639)
Expenses:			
General Government	1,462,717	1,132,223	330,494
Public Safety	1,029,487	880,141	149,346
Judicial System	189,611	156,433	33,178
Transportation	298,781	283,454	15,327
Culture and Recreation	71,582	52,394	19,188
Health and Human Services	572,590	604,309	(31,719)
Economic Development	11,757	3,098	8,659
Interest on Long-Term Debt	1,051	-	1,051
Total Expenses	3,637,576	3,112,052	525,524
Increase (Decrease in Net Position Before Transfers and Special Items)	(722,957)	1,456,206	(2,179,163)
Other Uses	(320,722)	(649,766)	(970,488)
Increase (Decrease) in Net Position	(1,043,679)	806,440	(3,149,651)
Net Position - Beginning	6,246,621	5,440,181	806,440
Prior Period Adjustment	(134,220)	-	(134,220)
Net Position - Ending	\$ 5,068,722	\$ 6,246,621	\$ (1,177,899)

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, 2023

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, 2023, the County's governmental funds reported combined fund balances of \$689,850, representing a decrease of \$1,029,004 in comparison with the prior year. Of this amount, *unassigned fund balance*, which represents the amount available for spending at the County's discretion was reported negative in the amount of (\$167,579). 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 \$840,402, 4) committed for particular purposes \$17,027, 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 (\$167,579), which also represented total fund balance. 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. However, with the fund balance of the General Fund being negative as of year end, this calculation would not be informative. An ideal fund balance for a governmental entity is said to be two to three months of operating expenditures in reserves. For the Terrell County General Fund, this would represent a fund balance of approximately \$500,000 to \$750,000.

The fund balance of the County's General Fund decreased by \$1,141,226 during the current fiscal year. This was primarily due to the County being required to reduce its property tax rate for FY2023 from \$.80 to \$.38559 per \$100 of property valuation in accordance with property tax rollback rate laws. This was the result of a sales tax windfall received in FY2022 inflating overall tax revenues and therefore requiring a property tax rate reduction in FY2023 in absence of a property tax ratification election. In addition, write-downs of receivables related to the Operation Lone Star grant also contributed to the fund balance reduction in the General Fund.

The Venue Fund, a major fund, experienced a minor fund balance increase of \$55,658 in fund balance during the current fiscal year, resulting in an ending fund balance of \$721,222. The increase in fund balance was due to revenues this fund receives from the dedicated portion of the County sales tax for economic development purposes slightly outpacing expenditures on allowable economic development expenditures.

The Colonia CDGB Grant Fund, a major fund, experienced a \$21,514 increase in fund balance during the current fiscal year, resulting in an ending fund balance of \$21,639. The increase in fund balance was due to the County receiving the current local match funding from the Terrell County Water Control and Improvement District during the year. These funds will be expended soon on this ongoing CDBG water grant project.

The Operation Lone Star Grant Fund – 2023, a major fund, experienced no change in fund balance during the current fiscal year and also did not report an ending fund balance. This grant is a cost-reimbursement grant and therefore is not expected to report fund balance increase or decrease or ending fund balance.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2023, amounted to \$3,782,177 (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 4.2% was the result of current year depreciation expense of \$284,257 net of current year new capital asset additions of \$118,187.

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 2023	Governmental Activities 2022	Change
Land	\$ 186,512	\$ 186,512	\$ -
Construction in Progress	29,750	-	29,750
Buildings and Improvements	4,153,554	4,140,220	13,334
Infrastructure	3,719,764	3,719,764	-
Machinery and Equipment	4,104,447	4,029,344	75,103
Total	12,194,027	12,075,840	118,187
Less Accumulated Depreciation	(8,411,850)	(8,127,593)	(284,257)
Capital Assets, net of Depreciation	\$ 3,782,177	\$ 3,948,247	\$ (166,070)

Additional information on the County's capital assets can be within the financial statement note disclosures section 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.

TERRELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 2023	Governmental Activities 2022	Change
Notes Payable	\$ 17,743	\$ 34,968	\$ (17,225)
Compensated Absences	14,132	17,922	(3,790)
Total	<u>\$ 31,875</u>	<u>\$ 52,890</u>	<u>\$ (21,015)</u>

Additional information on the County's long-term liabilities can be found within the financial statement note disclosures section of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the County and were considered in developing the 2023-2024 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 illegal immigration into the United States through the border that Terrell County shares with Mexico
- Changes in the local economy resulting from new or discontinuing businesses within the County

The County adopted an expenditures budget for the General Fund for the 2023-2024 fiscal year in the amount of \$3,044,938. The reflects a decrease of approximately \$42,000 from the previous year's final reported actual General Fund expenditures. The property tax rate for the 2023-2024 fiscal year was increased to \$0.7038 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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 335,182
Investments	10,324
Property Taxes Receivable	181,200
Allowance for Uncollectible Taxes	(18,120)
Accounts Receivable	651,818
Due from Other Funds	49,858
Net Pension Asset	426,452
Capital Assets not Being Depreciated:	
Land	186,512
Construction in Progress	29,750
Capital Assets, Being Depreciated	
Buildings and Improvements	4,153,554
Infrastructure	3,719,764
Machinery and Equipment	4,104,447
Accumulated Depreciation	(8,411,850)
Total Assets	<u>5,418,891</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Items	135,873
Other Post-Employment Benefit Items	16,838
Total Deferred Outflows of Resources	<u>152,711</u>
LIABILITIES	
Accounts Payable	4,006
Payroll Deductions and Withholdings	41,804
Accrued Salaries and Wages	60,636
Due to Fiduciary Funds	-
Due to Others	68,394
Accrued Expenditures	10,446
Unearned Revenues	17,415
Long-Term Liabilities:	
Due within One Year	24,809
Due in more than One Year	7,066
Other Post-Employment Benefits Liability	144,672
Total Liabilities	<u>379,248</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Plan Items	80,740
Other Post-Employment Benefit Items	42,892
Total Deferred Inflows of Resources	<u>123,632</u>
NET POSITION	
Net Investment in Capital Assets	3,764,434
Restricted for:	
State and Federal Programs	21,639
Health and Welfare	34,318
Debt Service	4,708
Capital Projects	654
Economic Developmet	773,355
Other Purposes	5,728
Unrestricted	463,886
Total Net Position	<u>\$ 5,068,722</u>

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, 2023

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 1,462,717	\$ 111,880	\$ 104,128	\$ (1,246,709)
Public Safety	1,029,487	37,100	489,141	(503,246)
Judicial System	189,611	81,626	782	(107,203)
Transportation	298,781	14,595	19,986	(264,200)
Culture and Recreation	71,582	8,334	-	(63,248)
Health and Human Services	572,590	311,892	356,054	95,356
Economic Development	11,757	-	-	(11,757)
Debt Interest	1,051	-	-	(1,051)
Total Governmental Activities:	<u>\$ 3,637,576</u>	<u>\$ 565,427</u>	<u>\$ 970,091</u>	<u>(2,102,058)</u>
General Revenues:				
Property Taxes				1,111,762
General Sales and Use Taxes				194,570
Donations				4,550
Investment Income				38,852
Other Revenue				29,367
Total General Revenues				<u>1,379,101</u>
Change in Net Postion Before Special Items				<u>(722,957)</u>
Special Items:				
Pass-Through Grants-TCWCID				<u>(320,722)</u>
Change in Net Position				(1,043,679)
Net Position - Beginning				<u>6,246,621</u>
Prior Period Adjustments				<u>(134,220)</u>
Net Position - Ending				<u>\$ 5,068,722</u>

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

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FUND BASIS FINANCIAL STATEMENTS

TERRELL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	010	042	134
	General Fund	Venue Fund	Colonia CDGB Grant
ASSETS			
Cash and Temporary Investments	\$ 88,085	\$ 73,408	\$ 21,639
Investments	1,527	97	-
Property Taxes Receivable	181,200	-	-
Allowance for Uncollectible Taxes	(18,120)	-	-
Accounts Receivable	43,205	10,391	-
Due from Other Funds	691,307	637,326	-
Total Assets	<u>\$ 987,204</u>	<u>\$ 721,222</u>	<u>\$ 21,639</u>
LIABILITIES			
Accounts Payable	\$ 4,006	\$ -	\$ -
Payroll Deductions and Withholdings	38,915	-	-
Accrued Salaries and Wages	60,636	-	-
Due to Other Funds	809,306	-	-
Due to Others	68,394	-	-
Accrued Expenditures	10,446	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>991,703</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows-Property Taxes	163,080	-	-
Total Deferred Inflows of Resources	<u>163,080</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
State and Federal Grants	-	-	21,639
Health and Welfare	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Economic Development	-	721,222	-
Other Purposes	-	-	-
Committed for:			
Other Purposes	-	-	-
Unassigned	(167,579)	-	-
Total Fund Balances	<u>(167,579)</u>	<u>721,222</u>	<u>21,639</u>
Total Liabilities and Fund Balances	<u>\$ 987,204</u>	<u>\$ 721,222</u>	<u>\$ 21,639</u>

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

Operation Lone Star Grant - 2023	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 152,050	\$ 335,182
-	8,700	10,324
-	-	181,200
-	-	(18,120)
422,887	20,704	497,187
-	6,311	1,334,944
<u>\$ 422,887</u>	<u>\$ 187,765</u>	<u>\$ 2,340,717</u>
\$ -	\$ -	\$ 4,006
2,506	383	41,804
-	-	60,636
420,381	55,399	1,285,086
-	-	68,394
-	-	10,446
-	17,415	17,415
<u>422,887</u>	<u>73,197</u>	<u>1,487,787</u>
-	-	163,080
-	-	163,080
-	-	21,639
-	34,318	34,318
-	4,708	4,708
-	654	654
-	52,133	773,355
-	5,728	5,728
-	17,027	17,027
-	-	(167,579)
-	114,568	689,850
<u>\$ 422,887</u>	<u>\$ 187,765</u>	<u>\$ 2,340,717</u>

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TERRELL COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

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

Total Fund Balances - Governmental Funds	\$	689,850
--	----	---------

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:

Governmental activities capital assets	\$ 12,194,027		
Less accumulated depreciation	<u>(8,411,850)</u>		3,782,177

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:

Current net pension asset	426,452		
Deferred outflows related to pensions	135,873		
Deferred inflows related to pensions	(80,740)		
Other net post-employment benefits liability	(144,672)		
Deferred outflows related to other post-employment benefits	16,838		
Deferred inflows related to other post-employment benefits	<u>(42,892)</u>		310,859

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.

163,080

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.

Bonds payable	(24,809)		
Compensated absences	<u>(7,066)</u>		(31,875)

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.

154,631

Net Position of Governmental Activities	\$	<u><u>5,068,722</u></u>
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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, 2023

	<u>010</u>	<u>042</u>	<u>134</u>
	General Fund	Venue Fund	Colonia CDGB Grant
REVENUES			
Property Taxes	\$ 1,101,752	\$ -	\$ -
General Sales and Use Taxes	118,838	59,409	-
Fines, Fees, and Permits	168,071	-	-
Charges for Services	352,474	-	-
Rent and Lease Income	14,595	-	-
Donations	4,550	-	-
Intergovernmental Revenues	134,072	-	341,577
Investment Income	25,976	9,643	659
Other Revenue	27,878	1,100	-
Total Revenues	<u>1,948,206</u>	<u>70,152</u>	<u>342,236</u>
EXPENDITURES			
Current:			
General Government	1,327,112	7,545	-
Public Safety	587,387	-	-
Justice System	179,658	-	-
Transportation	293,102	-	-
Culture and Recreation	67,066	-	-
Health and Human Services	543,905	-	-
Economic Development	3,918	6,949	-
Debt Service:			
Principal	17,226	-	-
Interest	1,050	-	-
Capital Outlay	66,505	-	-
Total Expenditures	<u>3,086,929</u>	<u>14,494</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,138,723)</u>	<u>55,658</u>	<u>342,236</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	2,080	-	-
Transfers Out	(4,583)	-	-
Other Uses - Pass-Through Grants	-	-	(320,722)
Total Other Financing Sources (Uses)	<u>(2,503)</u>	<u>-</u>	<u>(320,722)</u>
Net Change in Fund Balance	(1,141,226)	55,658	21,514
Fund Balance - Beginning	1,107,867	665,564	125
Prior Period Adjustment	(134,220)	-	-
Fund Balance - Ending	<u>\$ (167,579)</u>	<u>\$ 721,222</u>	<u>\$ 21,639</u>

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

Operation Lone Star Grant - 2023	Total Non- Major Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,101,752
-	16,323	194,570
-	11,024	179,095
-	11,707	364,181
-	-	14,595
-	-	4,550
288,667	205,775	970,091
-	2,574	38,852
-	389	29,367
<u>288,667</u>	<u>247,792</u>	<u>2,897,053</u>
-	42,482	1,377,139
266,318	142,135	995,840
-	-	179,658
-	-	293,102
-	199	67,265
-	1,096	545,001
-	-	10,867
-	-	17,226
-	-	1,050
22,349	29,333	118,187
<u>288,667</u>	<u>215,245</u>	<u>3,605,335</u>
-	32,547	(708,282)
-	4,583	6,663
-	(2,080)	(6,663)
-	-	(320,722)
-	2,503	(320,722)
-	35,050	(1,029,004)
-	79,518	1,853,074
-	-	(134,220)
<u>\$ -</u>	<u>\$ 114,568</u>	<u>\$ 689,850</u>

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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, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$ (1,029,004)
--	----------------

Internal service funds are used by management to charge the costs of certain activities, such as health insurance and fuel service, to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

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	\$ 118,187	
Less current year depreciation	<u>(284,257)</u>	(166,070)

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	21,015
----------------------------	--------

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.	10,010
---	--------

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	118,896	
Current year other post-employment benefits expense	<u>(6,082)</u>	112,814

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.	<u>7,556</u>
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Change in Net Position- Governmental Activities	<u><u>\$ (1,043,679)</u></u>
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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, 2023

	Fiduciary Funds	
	Private Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 5,459,034	\$ 130,530
Investments	15,604,291	-
Notes Receivable	225,000	-
Total Assets	21,288,325	130,530
LIABILITIES		
Due to Other Funds	49,858	-
Total Liabilities	49,858	-
NET POSITION		
Restricted for Remittance to County	-	130,530
Restricted for Beneficiaries	21,238,467	-
Total Net Position	\$ 21,238,467	\$ 130,530

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, 2023

	Fiduciary Funds	
	Private Purpose Trust Funds	Custodial Funds
REVENUES		
Contributions:		
Rent and Lease Income	\$ 110,999	\$ -
Donations	419	-
Miscellaneous Revenue	170	256,528
Total Contributions	<u>111,588</u>	<u>256,528</u>
Investment Earnings:		
Investment Income	419,738	-
Total Investment Income	<u>419,738</u>	<u>-</u>
Total Revenues	<u>531,326</u>	<u>256,528</u>
EXPENDITURES		
Payments to Beneficiaries	664,332	-
Investment Fees	9,495	-
Repairs and Maintenance	5,786	-
Other Operating Costs	53,118	-
Miscellaneous Expenditures	-	305,081
Total Expenditures	<u>732,731</u>	<u>305,081</u>
Net Change in Net Position	(201,405)	(48,553)
Net Position - Beginning	21,439,872	179,083
Net Position - Ending	<u>\$ 21,238,467</u>	<u>\$ 130,530</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

The Colonia Grant Fund is a special revenue fund that accounts for revenues received on this federal CDBG grant and their subsequent pass-through to the Terrell County Water Control and Improvement District.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The Operation Lone Star Grant – 2023 Fund is a special revenue fund that accounts for revenues and related expenditures in relation to this state sponsored grant which addresses the Texas/Mexico border crisis.

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, 2023

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 financing or right-to-use 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	Contingency Fund
Road and Bridge Fund	Airport Fund
Courthouse and Jail Fund	Venue Tax Fund
Jury Fund	J. P. Technology Fund
Courthouse Security 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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2022, upon which the levy for the 2022-2023 fiscal year was based, was \$285,981,483. 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, 2023, to finance County operations was \$.38559 per \$100 valuation. The total County tax levy for the 2022-2023 fiscal year was \$1,102,716. Total collections of current and delinquent taxes represented 99.1% of the tax levy for the year ended September 30, 2023.

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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2023, the County's combined bank balances at its depository bank Pecos County State Bank, inclusive of certificates of deposit, were \$4,927,007, and of that amount \$250,000 was covered by FDIC insurance and the remaining amount was covered by pledged collateral.

Investments

As of September 30, 2023, the County had the following investments:

Investment Type	Maturity Time in Years				Totals
	Less than 1	1-5	6-10	More Than 10	
Governmental Funds:					
LoneStar Government Pool	\$ 600	\$ -	\$ -	\$ -	\$ 600
TexStar Government Pool	8,796	-	-	-	8,796
TexPool Investment Pool	928	-	-	-	928
Total Governmental Funds	<u>\$ 10,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,324</u>
Fiduciary Funds:					
Certificates of Deposit	\$ 3,859,100	\$ -	\$ -	\$ -	\$ 3,859,100
Marketable Securities	10,500,000	-	-	-	10,500,000
LoneStar Government Pool	195,086	-	-	-	195,086
TexStar Government Pool	725,710	-	-	-	725,710
TexPool Investment Pool	324,395	-	-	-	324,395
Total Fiduciary Funds	<u>\$ 15,604,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,604,291</u>

Lone Star (First Public)

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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.

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, 2023, the government's investment in the State Treasurer's investment pool was rated AAAm by Standard & Poor's, Taxable Bonds were rated AA+ by Standard & Poor's, and Tax-Exempt Bonds were rated AA- to AAA by Standard & Poor's.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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. The following chart details the receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts.

Governmental Funds:

Receivables	General Fund	Venue Fund	Operation Lone Star Grant-2023	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 181,200	\$ -	\$ -	\$ -	\$ 181,200
Sanitation	22,419	-	-	-	22,419
Sales Tax	20,786	10,391	-	-	31,177
Due from Grantors	-	-	422,887	20,704	443,591
Gross Receivables	224,405	10,391	422,887	20,704	678,387
Allowance for Uncollectible	(18,120)	-	-	-	(18,120)
Net Receivables	\$ 206,285	\$ 10,391	\$ 422,887	\$ 20,704	\$ 660,267

NOTE-4 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023, was as follows:

Governmental Activities:

	Balance 10/1/22	Increases	Decreases	Balance 9/30/23
Capital Assets, Not Being Depreciated:				
Land	\$ 186,512	\$ -	\$ -	\$ 186,512
Construction-in-progress	-	29,750	-	29,750
Total Capital Assets, Not Being Depreciated	186,512	29,750	-	216,262
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,140,220	13,334	-	4,153,554
Infrastructure	3,719,764	-	-	3,719,764
Machinery and Equipment	4,029,344	75,103	-	4,104,447
Total Capital Assets, Being Depreciated	11,889,328	88,437	-	11,977,765
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,294,877)	(99,110)	-	(2,393,987)
Infrastructure	(2,023,918)	(104,382)	-	(2,128,300)
Machinery and Equipment	(3,808,798)	(80,765)	-	(3,889,563)
Total Accumulated Depreciation	(8,127,593)	(284,257)	-	(8,411,850)
Total Capital Assets Being Depreciated, Net	3,761,735	(195,820)	-	3,565,915
Governmental Activities Capital Assets, Net	\$ 3,948,247	\$ (166,070)	\$ -	\$ 3,782,177

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

General Government	\$ 112,851
Public Safety	81,604
Judicial System	14,722
Transportation	24,018
Culture and Recreation	5,512
Health and Human Services	44,660
Economic Development	890
Total Depreciation Expense - Governmental Activities	<u>\$ 284,257</u>

NOTE-6 PENSION OBLIGATIONS

Texas County and District Retirement System (TCDRS)

Plan Description

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

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

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

Benefits Provided

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Membership Information

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

Members	12/31/2021	12/31/2022
Number of Inactive Employees Entitled to but not yet Receiving Benefits:	71	77
Number of Active Employees	48	53
Average Monthly Salary:*	\$ 2,255	\$ 2,500
Average Age:*	46.96	46.52
Average Length of Service in Years:*	6.22	6.61
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of Benefit Recipients:	41	43
Average Monthly Benefit:	\$ 1,126	\$ 1,101
<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, 2022 and 2023.

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, 2022 and 2023 of 6.49% and 4.47%, 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, 2022, 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
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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 TPI in the December 31, 2022 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) ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumption changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
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	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.
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 as funding valuation. For employers who have elected this option, a 0.75% increase is applied to the TPI 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.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities-Developed Mkts	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities-Emerging Mkts	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U. S. Treasury	2.00%	0.20%
		<u>100%</u>	

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	\$ 8,628,529	\$ 7,776,264	\$ 7,053,874
Fiduciary Net Position	8,202,716	8,202,716	8,202,716
Net Pension Liability/(Asset)	\$ 425,813	\$ (426,452)	\$ (1,148,842)

Pension Plan Fiduciary Net Position

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

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021	\$ 7,761,987	\$ 9,246,680	\$ (1,484,694)
Changes for the Year:			
Service Cost	133,123	-	133,123
Interest on Total Pension Liability	576,087	-	576,087
Effect of Economic/Demographic Gains/Losses	(53,141)	-	(53,141)
Refund of Contributions	(75,430)	(75,430)	-
Benefit Payments	(566,361)	(566,361)	-
Administrative Expenses	-	(4,807)	4,807
Member Contributions	-	71,058	(71,058)
Net Investment Income	-	(501,268)	501,268
Employer Contributions	-	92,454	(92,454)
Other	-	(59,610)	59,610
Balances as of December 31, 2022	\$ 7,776,265	\$ 8,202,716	\$ (426,452)

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

For the year ended September 30, 2023, the County recognized pension expense of \$118,896.

At September 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 73,137
Changes of Assumptions	-	7,603
Net Difference Between Projected and Actual Investment Earnings	87,771	-
Contributions Made Subsequent to the Measurement Date	48,102	-
Total	\$ 135,873	\$ 80,740

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
2023	\$ (202,721)
2024	(40,797)
2025	13,795
2026	236,754
2027	-
Thereafter	-

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Members	12/31/2021	12/31/2022
Number of Inactive Employees Entitled to but not yet Receiving Benefits ⁽¹⁾ :	21	21
Number of Active Employees:	48	53
Average Age of Active Employees:	46.96	46.52
Average Length of Service in Years for Active Employees:	6.22	6.61
<hr/>		
Inactive Employees Receiving Benefits ⁽¹⁾		
Number of Benefit Recipients ⁽¹⁾ :	32	33

(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 upon the retiree's death.

Funding Policy

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

TERRELL COUNTY, TEXAS
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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	2022	
	GTL Rate	Amount
Active Member GTL Benefit	0.20%	\$ 2,842
Retiree GTL Benefit	0.35%	4,974

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>12/31/2021</u>	<u>12/31/2022</u>
Total OPEB Liability	\$188,969	\$144,672

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. Note that salary increases do not affect benefits but are used in the allocation of costs under the actuarial cost method.
Investment Rate of Return	3.72%
(Discount Rate)	20-year Bond GO Index published by bondbuyer.com as of December 30, 2022
Cost-of-Living Adjustments	Does not apply
Disability	Terrell County specific table
Mortality	Terrell County specific table
Retirement	Terrell County specific table
Other Termination of Employment	Terrell County specific table

Discount Rate

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.72% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 3.72%, 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, 2.72%, or 1-percentage-point higher, 4.72%, than the current rate:

	1% Decrease	Current	1% Increase
Discount Rate	2.72%	3.72%	4.72%
Total OPEB Liability	\$ 172,287	\$ 144,672	\$ 123,240

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, 2021	\$ 188,969
Changes for the Year:	
Service Cost	6,968
Interest on Total OPEB Liability (1)	3,985
Effect of Economic/Demographic Experience	86
Effect of Assumptions Changes or Inputs (3)	(50,362)
Benefit Payments	(4,974)
Balances as of December 31, 2022	<u>\$ 144,672</u>

OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended September 30, 2023, the County recognized OPEB expense of (\$6,082).

At September 30, 2023, 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	\$ 1,850	\$ 2,602
Changes of Assumptions	12,771	40,290
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Made Subsequent to the Measurement Date	2,217	-
Total	\$ 16,838	\$ 42,892

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	\$ 2,470
2023	(10,630)
2024	(10,055)
2025	(10,056)
2026	-
Thereafter	-

NOTE-8 LONG-TERM LIABILITIES

Changes in the government's long-term liabilities for the year ended September 30, 2023 are as follows:

Description	Balance 10/1/22	Additions	Deletions	Balance 9/30/23	Due in One Year
Financing Leases Payable					
DivLend Equipment Leasing	\$ 34,968	\$ -	\$ (17,225)	\$ 17,743	\$ 17,743
Total Financing Leases Payable	34,968	-	(17,225)	17,743	17,743
Other Long-Term Debt					
Compensated Absences	17,922	-	(3,790)	14,132	7,066
Total Other Long-Term Debt	17,922	-	(3,790)	14,132	7,066
Gov. Activities Long-term Liabilities	\$ 52,890	\$ -	\$ (21,015)	\$ 31,875	\$ 24,809

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

NOTE-9 INTERFUND RECEIVABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund-General Government	General Fund-Courthouse & Jail	\$ 115,032
	Special Revenue Funds	526,417
	Permanent School Fund	49,858
Total General Fund-General Government		691,307
Venue Fund	General Fund	637,326
Total Venue Fund		637,326
Hotel/Motel Tax Fund	General Fund	6,311
Total Hotel/Motel Tax Fund		6,311
Total		\$ 1,334,944

TERRELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023 is as follows:

	Transfer In To:		
	Governmental Funds		Total
	General Fund - General Government	Records Preservation Fund	
Transfer Out From:			
General Fund - General Government	\$ -	\$ 4,583	\$ 4,583
Local Border Security Grant - 2021	2,080	-	2,080
Total	\$ 2,080	\$ 4,583	\$ 6,663

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

NOTE-10 RISK MANAGEMENT

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

NOTE-11 CONTINGENCIES

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

NOTE-12 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded during the year to the fund balance of the General Fund and related governmental activities as follows:

	General Fund	Governmental Activities
	Fund Balance	Net Position
Fund balance/Net Position as previously stated 9/30/2022	\$ 1,107,867	\$ 6,246,621
Correction applied to portion of Operation Lone Star grant receivable deemed uncollectible	(134,220)	(134,220)
Fund Balance/Net Position as adjusted 9/30/2022	\$ 973,647	\$ 6,112,401

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REQUIRED SUPPLEMENTARY INFORMATION

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TERRELL COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		General Fund	Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Taxes	\$ 1,100,554	\$ 1,100,554	\$ 1,101,752	\$ 1,198
General Sales and Use Taxes	695,279	695,279	118,838	(576,441)
Fines, Fees, and Permits	109,250	109,250	168,071	58,821
Charges for Services	359,190	359,190	352,474	(6,716)
Rent and Lease Income	15,000	15,000	14,595	(405)
Donations	-	-	4,550	4,550
Intergovernmental Revenues	98,526	98,526	134,072	35,546
Investment Income	4,500	4,500	25,976	21,476
Other Revenue	639,525	639,525	27,878	(611,647)
Total Revenues	3,021,824	3,021,824	1,948,206	(1,073,618)
EXPENDITURES				
Current:				
General Government	1,192,882	1,326,197	1,327,112	(915)
Public Safety	462,789	463,389	587,387	(123,998)
Justice System	180,013	303,119	179,658	123,461
Transportation	332,967	321,618	293,102	28,516
Culture and Recreation	70,777	73,964	67,066	6,898
Health and Human Services	904,398	626,290	543,905	82,385
Economic Development	5,000	5,000	3,918	1,082
Debt Service:				
Principal	17,226	17,226	17,226	-
Interest	1,050	1,050	1,050	-
Capital Outlay	-	66,505	66,505	-
Total Expenditures	3,167,102	3,204,358	3,086,929	117,429
Excess (Deficiency) of Revenue Over Expenditures	(145,278)	(182,534)	(1,138,723)	(956,189)
OTHER FINANCING SOURCES (USES)				
Transfers In	336,850	336,850	2,080	(334,770)
Transfers Out	-	-	(4,583)	(4,583)
Total Other Financing Sources (Uses)	336,850	336,850	(2,503)	(339,353)
Net Change in Fund Balance	191,572	154,316	(1,141,226)	(1,295,542)
Fund Balance - Beginning	1,107,867	1,107,867	1,107,867	-
Prior Period Adjustment	-	-	(134,220)	(134,220)
Fund Balance - Ending	\$ 1,299,439	\$ 1,262,183	\$ (167,579)	\$ (1,429,762)

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

TERRELL COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Measurement Year			
	2022	2021	2020	2019
Total Pension Liability				
Service Cost	\$ 133,123	\$ 122,018	\$ 145,365	\$ 146,347
Interest on Total Pension Liability	576,087	579,253	572,761	561,077
Effect of Plan Changes	-	-	-	-
Effect of Assumption Changes or Inputs	-	(22,809)	374,566	-
Effect of Economic/Demographic (Gains)/Losses	(53,141)	(113,132)	42,068	(56,979)
Benefit Payments/Refunds of Contributions	(641,792)	(595,239)	(527,001)	(484,262)
Net Change in Total Pension Liability	14,277	(29,909)	607,759	166,183
Total Pension Liability, Beginning	7,761,987	7,791,895	7,184,135	7,017,951
Total Pension Liability, Ending (a)	<u>\$ 7,776,264</u>	<u>\$ 7,761,986</u>	<u>\$ 7,791,894</u>	<u>\$ 7,184,134</u>
Fiduciary Net Position				
Employer Contributions	\$ 92,454	\$ 96,318	\$ 90,420	\$ 85,437
Member Contributions	71,058	63,702	59,238	60,679
Investment Income Net of Investment Expenses	(501,268)	1,705,354	784,446	1,122,434
Benefit Payments/Refunds of Contributions	(641,792)	(595,238)	(527,001)	(484,262)
Administrative Expenses	(4,807)	(5,003)	(5,848)	(5,792)
Other	(59,609)	(10,127)	(10,413)	(10,518)
Net Change in Fiduciary Net Position	(1,043,964)	1,255,006	390,842	767,978
Fiduciary Net Position, Beginning	9,246,680	7,991,674	7,600,832	6,832,854
Fiduciary Net Position, Ending (b)	<u>\$ 8,202,716</u>	<u>\$ 9,246,680</u>	<u>\$ 7,991,674</u>	<u>\$ 7,600,832</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (426,452)</u>	<u>\$ (1,484,694)</u>	<u>\$ (199,780)</u>	<u>\$ (416,697)</u>
Fiduciary Net Position as a % of Total Pension Liab.	105.48%	119.13%	102.56%	105.80%
Pension Covered Payroll	\$ 1,421,165	\$ 1,274,048	\$ 1,184,767	\$ 1,213,581
Net Pension Liab./(Asset) as a % of Covered Payroll	-30.01%	-116.53%	-16.86%	-34.34%

Measurement Year				
2018	2017	2016	2015	2014
\$ 150,880	\$ 172,586	\$ 293,652	\$ 263,344	\$ 257,689
542,575	519,583	510,621	486,113	446,760
-	-	(165,466)	(28,966)	-
-	12,986	-	60,515	-
(22,528)	(17,233)	(308,931)	(134,037)	(16,145)
(393,455)	(371,679)	(287,902)	(238,421)	(203,665)
277,472	316,243	41,974	408,548	484,639
6,740,479	6,424,236	6,382,261	5,973,712	5,489,073
\$ 7,017,951	\$ 6,740,479	\$ 6,424,235	\$ 6,382,260	\$ 5,973,712
\$ 84,604	\$ 77,650	\$ 231,120	\$ 239,735	\$ 229,417
62,852	63,961	107,797	111,727	106,072
(137,410)	947,784	444,728	(113,513)	368,683
(393,456)	(371,679)	(287,902)	(238,421)	(203,666)
(5,488)	(4,807)	(4,839)	(4,323)	(4,434)
(6,603)	(3,129)	24,784	15,591	(11,204)
(395,501)	709,780	515,688	10,796	484,868
7,228,355	6,518,575	6,002,886	5,992,089	5,507,221
\$ 6,832,854	\$ 7,228,355	\$ 6,518,574	\$ 6,002,885	\$ 5,992,089
\$ 185,097	\$ (487,876)	\$ (94,339)	\$ 379,375	\$ (18,377)
97.36%	107.24%	101.47%	94.06%	100.31%
\$ 1,257,045	\$ 1,279,228	\$ 1,539,953	\$ 1,596,100	\$ 1,515,313
14.72%	-38.14%	-6.13%	23.77%	-1.21%

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TERRELL COUNTY, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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%
2023	75,414	75,414	-	1,458,945	5.17%

Only nine 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 (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amort. Period	0.0 years (based on contribution rate calculated in 12/31/2022 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 2022: No changes in plan provisions were reflected in the Schedule.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015 - 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 - 2022: No changes in plan provisions were reflected in the Schedule

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to 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, 2023

	Measurement Year			
	2022	2021	2020	2019
Total OPEB Liability				
Service Cost	\$ 6,968	\$ 6,511	\$ 7,250	\$ 4,408
Interest on Total OPEB Liability	3,985	4,001	4,190	4,639
Effect of Plan Changes	-	-	-	-
Effect of Assumption Changes or Inputs	(50,362)	2,713	20,782	31,104
Effect of Economic/Demographic Experience	86	(5,022)	7,121	(452)
Benefit Payments	(4,974)	(2,930)	(2,606)	(2,913)
Net Change in Total OPEB Liability	(44,297)	5,273	36,737	36,786
Total OPEB Liability, Beginning	188,969	183,696	146,959	110,173
Total OPEB Liability, Ending (a)	\$ 144,672	\$ 188,969	\$ 183,696	\$ 146,959
Pensionable Covered Payroll	\$ 1,421,165	\$ 1,274,048	\$ 1,184,767	\$ 1,213,581
Net OPEB Liability as a % of Covered Payroll	10.18%	14.83%	15.50%	12.11%

Measurement Year	
2018	2017
\$ 4,097	\$ 3,533
4,348	4,460
-	-
(13,189)	4,941
(6,117)	(2,880)
(2,514)	(1,919)
(13,375)	8,135
123,548	115,413
\$ 110,173	\$ 123,548
\$ 1,257,045	\$ 1,279,228
8.76%	9.66%

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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, 2023

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
2023	60.00%	3,584	1,458,945

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

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TERRELL COUNTY, TEXAS
COMBINING BALANCE SHEET – SUB-GENERAL FUND DETAIL
SEPTEMBER 30, 2023

	010	020	030	040
	SUB-GENERAL FUNDS			
	General Government	Road and Bridge Fund	Courthouse & Jail	Jury Fund
ASSETS				
Cash and Temporary Investments	\$ 300	\$ -	\$ 32,584	\$ 16,994
Investments	1,527	-	-	-
Property Taxes Receivable	181,200	-	-	-
Allowance for Uncollectible Taxes	(18,120)	-	-	-
Accounts Receivable	43,205	-	-	-
Due from Other funds	576,276	-	115,031	-
Total Assets	<u>\$ 784,388</u>	<u>\$ -</u>	<u>\$ 147,615</u>	<u>\$ 16,994</u>
LIABILITIES				
Accounts Payable	\$ 236	\$ 1,392	\$ 2,378	\$ -
Payroll Deductions and Withholdings	23,560	10,480	4,840	35
Accrued Salaries and Wages	60,636	-	-	-
Due to Other Funds	569,588	124,687	115,031	-
Due to Others	68,394	-	-	-
Accrued Expenditures	10,446	-	-	-
Total Liabilities	<u>732,860</u>	<u>136,559</u>	<u>122,249</u>	<u>35</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	163,080	-	-	-
Total Deferred Inflows of Resources	<u>163,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unassigned	(111,552)	(136,559)	25,366	16,959
Total Fund Balances	<u>(111,552)</u>	<u>(136,559)</u>	<u>25,366</u>	<u>16,959</u>
Total Liabilities and Fund Balances	<u>\$ 784,388</u>	<u>\$ -</u>	<u>\$ 147,615</u>	<u>\$ 16,994</u>

<i>041</i>	<i>050</i>	<i>060</i>	
SUB-GENERAL FUNDS			
Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$ 7,716	\$ 13,523	\$ 16,968	\$ 88,085
-	-	-	1,527
-	-	-	181,200
-	-	-	(18,120)
-	-	-	43,205
-	-	-	691,307
<u>\$ 7,716</u>	<u>\$ 13,523</u>	<u>\$ 16,968</u>	<u>\$ 987,204</u>
\$ -	\$ -	\$ -	\$ 4,006
-	-	-	38,915
-	-	-	60,636
-	-	-	809,306
-	-	-	68,394
-	-	-	10,446
<u>-</u>	<u>-</u>	<u>-</u>	<u>991,703</u>
-	-	-	163,080
<u>-</u>	<u>-</u>	<u>-</u>	<u>163,080</u>
7,716	13,523	16,968	(167,579)
<u>7,716</u>	<u>13,523</u>	<u>16,968</u>	<u>(167,579)</u>
<u>\$ 7,716</u>	<u>\$ 13,523</u>	<u>\$ 16,968</u>	<u>\$ 987,204</u>

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SUB-GENERAL FUND DETAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	010	020	030	040
	SUB-GENERAL FUNDS			
	General Government	Road and Bridge Fund	Courthouse & Jail	Jury Fund
REVENUES				
Property Taxes	\$ 750,295	\$ 156,619	\$ 181,731	\$ 13,107
General Sales and Use Taxes	118,838	-	-	-
Fines, Fees, and Permits	116,267	51,384	-	-
Charges for Services	351,534	-	-	-
Rent and Lease Income	-	-	-	-
Donations	4,550	-	-	-
Intergovernmental Revenues	113,304	19,986	-	782
Investment Income	25,976	-	-	-
Other Revenue	24,757	-	2,272	-
Total Revenues	1,505,521	227,989	184,003	13,889
EXPENDITURES				
Current:				
General Government	1,065,600	104,880	156,632	-
Public Safety	417,429	-	169,958	-
Justice System	148,854	-	7,710	23,094
Transportation	(17)	274,678	-	-
Culture and Recreation	67,066	-	-	-
Health and Human Services	543,905	-	-	-
Economic Development	3,918	-	-	-
Debt Service:				
Principal	8,613	-	8,613	-
Interest	525	-	525	-
Capital Outlay	66,505	-	-	-
Total Expenditures	2,322,398	379,558	343,438	23,094
Excess (Deficiency) of Revenue Over Expenditures	(816,877)	(151,569)	(159,435)	(9,205)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,080	-	-	-
Transfers Out	(4,583)	-	-	-
Total Other Financing Sources (Uses)	(2,503)	-	-	-
Net Change in Fund Balance	(819,380)	(151,569)	(159,435)	(9,205)
Fund Balance-Beginning	842,048	15,010	184,801	26,164
Prior Period Adjustment	(134,220)	-	-	-
Fund Balance-Ending	\$ (111,552)	\$ (136,559)	\$ 25,366	\$ 16,959

<i>041</i>	<i>050</i>	<i>060</i>	
SUB-GENERAL FUNDS			
Courthouse Security Fund	Contingency Fund	Airport Fund	Total General Fund
\$ -	\$ -	\$ -	\$ 1,101,752
-	-	-	118,838
420	-	-	168,071
940	-	-	352,474
-	-	14,595	14,595
-	-	-	4,550
-	-	-	134,072
-	-	-	25,976
-	-	849	27,878
1,360	-	15,444	1,948,206
-	-	-	1,327,112
-	-	-	587,387
-	-	-	179,658
-	-	18,441	293,102
-	-	-	67,066
-	-	-	543,905
-	-	-	3,918
-	-	-	17,226
-	-	-	1,050
-	-	-	66,505
-	-	18,441	3,086,929
1,360	-	(2,997)	(1,138,723)
-	-	-	2,080
-	-	-	(4,583)
-	-	-	(2,503)
1,360	-	(2,997)	(1,141,226)
6,356	13,523	19,965	1,107,867
-	-	-	(134,220)
\$ 7,716	\$ 13,523	\$ 16,968	\$ (167,579)

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TERRELL COUNTY, TEXAS
NON-MAJOR GOVERNMENTAL FUND AND FIDUCIARY FUND DESCRIPTIONS
SEPTEMBER 30, 2023

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 along with residual funding amounts for this activity.

Local Border Security Grant-2021 – Accounts for the revenue and expenditures related to grants received for administering the Local Border Security grant for grant year 2021.

Operation Stonegarden Funds-2021 – Accounts for the revenue and expenditures of the federal Operation Stonegarden grant program for the 2021 grant year.

Operation Stonegarden Funds-2022 – Accounts for the revenue and expenditures of the federal Operation Stonegarden grant program for the 2022 grant year.

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

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

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.

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

Rifle Body Armor Grant Fund – Accounts for the revenues and expenditures of the grant received for public safety.

JRAC – EMS Fund – Accounts for the revenues and expenditures related to grant funding received through the Regional Advisory Council, J-Region.

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, 2023

	160	066	154	155
	SPECIAL REVENUE FUNDS			
	Hotel/Motel Tax	Visitors Center	Local Border Security Program-2021	Local Border Security Program-2023
ASSETS				
Cash and Temporary Investments	\$ 45,822	\$ 2,906	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	7,623
Due from Other funds	6,311	-	-	-
Total Assets	\$ 52,133	\$ 2,906	\$ -	\$ 7,623
LIABILITIES				
Payroll Deductions and Withholdings	\$ -	\$ -	\$ -	\$ 325
Due to Other Funds	-	-	-	7,298
Unearned Revenues	-	-	-	-
Total Liabilities	-	-	-	7,623
FUND BALANCES				
Restricted for:				
Health and Welfare	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Economic Development	52,133	-	-	-
Other Purposes	-	-	-	-
Committed for:				
Other Purposes	-	2,906	-	-
Total Fund Balances	52,133	2,906	-	-
Total Liabilities and Fund Bal.	\$ 52,133	\$ 2,906	\$ -	\$ 7,623

<i>122</i>	<i>123</i>	<i>130</i>	<i>140</i>	<i>043</i>	<i>065</i>	<i>080</i>
SPECIAL REVENUE FUNDS						
Operation Stonegarden- 2021	Operation Stonegarden- 2022	American Rescue Plan	Cares Act (COVID-19)	JP Tech Fund	Historical Commission	Records Preservation Fund
\$ -	\$ -	\$ 34,513	\$ 17,415	\$ 5,728	\$ 6,641	\$ -
-	-	-	-	-	7,480	565
-	13,081	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 13,081</u>	<u>\$ 34,513</u>	<u>\$ 17,415</u>	<u>\$ 5,728</u>	<u>\$ 14,121</u>	<u>\$ 565</u>
\$ -	\$ 58	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,023	34,513	-	-	-	565
-	-	-	17,415	-	-	-
<u>-</u>	<u>13,081</u>	<u>34,513</u>	<u>17,415</u>	<u>-</u>	<u>-</u>	<u>565</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,728	-	-
-	-	-	-	-	14,121	-
-	-	-	-	5,728	14,121	-
<u>\$ -</u>	<u>\$ 13,081</u>	<u>\$ 34,513</u>	<u>\$ 17,415</u>	<u>\$ 5,728</u>	<u>\$ 14,121</u>	<u>\$ 565</u>

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TERRELL COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<u>056</u>	<u>150</u>	<u>162</u>	<u>059</u>	
	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SVC.</u>	
	Tax Notes- 2007	Rifle Body Armor Grant- 2022	JRAC - EMS	Debt Service Fund	Total Non- Major Funds
ASSETS					
Cash and Temporary Investments	\$ -	\$ -	\$ 34,318	\$ 4,707	\$ 152,050
Investments	654	-	-	1	8,700
Accounts Receivable	-	-	-	-	20,704
Due from Other funds	-	-	-	-	6,311
Total Assets	<u>\$ 654</u>	<u>\$ -</u>	<u>\$ 34,318</u>	<u>\$ 4,708</u>	<u>\$ 187,765</u>
LIABILITIES					
Payroll Deductions and Withholdings	\$ -	\$ -	\$ -	\$ -	\$ 383
Due to Other Funds	-	-	-	-	55,399
Unearned Revenues	-	-	-	-	17,415
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,197</u>
FUND BALANCES					
Restricted for:					
Health and Welfare	-	-	34,318	-	34,318
Debt Service	-	-	-	4,708	4,708
Capital Projects	654	-	-	-	654
Economic Development	-	-	-	-	52,133
Other Purposes	-	-	-	-	5,728
Committed for:					
Other Purposes	-	-	-	-	17,027
Total Fund Balances	<u>654</u>	<u>-</u>	<u>34,318</u>	<u>4,708</u>	<u>114,568</u>
Total Liabilities and Fund Bal.	<u>\$ 654</u>	<u>\$ -</u>	<u>\$ 34,318</u>	<u>\$ 4,708</u>	<u>\$ 187,765</u>

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	160	066	154	155
	SPECIAL REVENUE FUNDS			
	Hotel/Motel Tax	Visitors Center	Local Border Security Program-2021	Local Border Security Program-2023
REVENUES				
General Sales and Use Taxes	\$ 16,323	\$ -	\$ -	\$ -
Fines, Fees, and Permits	-	-	-	-
Charges for Services	-	2,184	-	-
Investment Income	-	-	-	7,623
Intergovernmental Revenues	1,463	-	-	-
Other Revenue	-	78	-	-
Total Revenues	17,786	2,262	-	7,623
EXPENDITURES				
Current:				
General Government	5,500	-	-	-
Public Safety	-	-	-	7,623
Culture and Recreation	-	-	-	-
Economic Development	-	1,096	-	-
Capital Outlay	-	-	-	-
Total Expenditures	5,500	1,096	-	7,623
Excess (Deficiency) of Revenue Over Expenditures	12,286	1,166	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(2,080)	-
Total Other Financing Sources (Uses)	-	-	(2,080)	-
Net Change in Fund Balance	12,286	1,166	(2,080)	-
Fund Balance-Beginning	39,847	1,740	2,080	-
Fund Balance-Ending	\$ 52,133	\$ 2,906	\$ -	\$ -

<i>122</i>	<i>123</i>	<i>130</i>	<i>140</i>	<i>043</i>	<i>065</i>	<i>080</i>
SPECIAL REVENUE FUNDS						
Operation Stonegarden- 2021	Operation Stonegarden- 2022	American Rescue Plan	Cares Act (COVID-19)	JP Tech Fund	Historical Commission	Records Preservation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	451	-	10,573
-	-	-	-	-	494	9,029
110,751	13,081	-	5,301	-	-	-
-	-	-	-	-	332	570
-	-	-	-	-	311	-
110,751	13,081	-	5,301	451	1,137	20,172
-	-	-	-	-	-	36,982
94,752	13,081	-	5,301	-	-	-
-	-	-	-	-	199	-
-	-	-	-	-	-	-
15,999	-	-	-	-	-	-
110,751	13,081	-	5,301	-	199	36,982
-	-	-	-	451	938	(16,810)
-	-	-	-	-	-	4,583
-	-	-	-	-	-	-
-	-	-	-	-	-	4,583
-	-	-	-	451	938	(12,227)
-	-	-	-	5,277	13,183	12,227
\$ -	\$ -	\$ -	\$ -	\$ 5,728	\$ 14,121	\$ -

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TERRELL COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	056	150	056	059	
	SPECIAL REVENUE FUNDS			DEBT SVC.	
	Tax Notes-	Rifle Body Armor Grant-	JRAC - EMS	Debt Service	Total Non-
	2007	2022		Fund	Major Funds
REVENUES					
General Sales and Use Taxes	\$ -	\$ -	\$ -	\$ -	\$ 16,323
Fines, Fees, and Permits	-	-	-	-	11,024
Charges for Services	-	-	-	-	11,707
Investment Income	-	3,395	65,624	-	205,775
Intergovernmental Revenues	28	-	11	170	2,574
Other Revenue	-	-	-	-	389
Total Revenues	28	3,395	65,635	170	247,792
EXPENDITURES					
Current:					
General Government	-	-	-	-	42,482
Public Safety	-	3,395	17,983	-	142,135
Culture and Recreation	-	-	-	-	199
Economic Development	-	-	-	-	1,096
Capital Outlay	-	-	13,334	-	29,333
Total Expenditures	-	3,395	31,317	-	215,245
Excess (Deficiency) of Revenue Over Expenditures	28	-	34,318	170	32,547
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	4,583
Transfers Out	-	-	-	-	(2,080)
Total Other Financing Sources (Uses)	-	-	-	-	2,503
Net Change in Fund Balance	28	-	34,318	170	35,050
Fund Balance-Beginning	626	-	-	4,538	79,518
Fund Balance-Ending	\$ 654	\$ -	\$ 34,318	\$ 4,708	\$ 114,568

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
SEPTEMBER 30, 2023

	<u>85</u>	<u>92</u>	
	<u>PRIVATE PURPOSE TRUST FUNDS</u>		
	Permanent School Fund	Cemetery Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and Temporary Investments	\$ 5,373,225	\$ 85,809	\$ 5,459,034
Investments	15,604,291	-	15,604,291
Notes Receivable	225,000	-	225,000
Total Assets	<u>21,202,516</u>	<u>85,809</u>	<u>21,288,325</u>
LIABILITIES			
Due to Others	<u>49,858</u>	-	<u>49,858</u>
Total Liabilities	<u>49,858</u>	<u>-</u>	<u>49,858</u>
NET POSITION (DEFICITS)			
Restricted for Beneficiaries	<u>21,152,658</u>	<u>85,809</u>	<u>21,238,467</u>
Total Net Position	<u>\$ 21,152,658</u>	<u>\$ 85,809</u>	<u>\$ 21,238,467</u>

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF ACTIVITIES
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	85	92	
	<u>PRIVATE PURPOSE TRUST FUNDS</u>		
	Permanent School Fund	Cemetery Fund	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Rent and Lease Income	\$ 110,999	\$ -	\$ 110,999
Donations	-	419	419
Other Revenue	-	170	170
Total Contributions	<u>110,999</u>	<u>589</u>	<u>111,588</u>
Investment Earnings:			
Investment Income	<u>417,441</u>	<u>2,297</u>	<u>419,738</u>
Total Investment Income	<u>417,441</u>	<u>2,297</u>	<u>419,738</u>
TOTAL ADDITIONS	<u>528,440</u>	<u>2,886</u>	<u>531,326</u>
DEDUCTIONS			
Payments to Beneficiaries	664,332	-	664,332
Investment Fees	9,495	-	9,495
Repairs and Maintenance	-	5,786	5,786
Other Operating Costs	<u>53,118</u>	<u>-</u>	<u>53,118</u>
Total Expenses	<u>726,945</u>	<u>5,786</u>	<u>732,731</u>
Increase (Decrease) in Net Position	(198,505)	(2,900)	(201,405)
Net Position - Beginning	<u>21,351,163</u>	<u>88,709</u>	<u>21,439,872</u>
Net Position - Ending	<u>\$ 21,152,658</u>	<u>\$ 85,809</u>	<u>\$ 21,238,467</u>

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF NET POSITION
CUSTODIAL FUNDS
SEPTEMBER 30, 2023

	71	72	73	101
	CUSTODIAL FUNDS			
	Sheriff's Forfeiture Fund	Sheriff's Education Fund	Sheriff's Towing	Tax Assessor/ Collector
ASSETS				
Cash and Temporary Investments	\$ 23,821	\$ 4,131	\$ 31,844	\$ 7,148
Total Assets	23,821	4,131	31,844	7,148
NET POSITION (DEFICITS)				
Restricted for Remittance to County	23,821	4,131	31,844	7,148
Total Net Position	\$ 23,821	\$ 4,131	\$ 31,844	\$ 7,148

<i>102</i>	<i>103</i>	<i>104</i>	<i>105</i>	<i>107</i>	<i>108</i>	
CUSTODIAL FUNDS						
Clerk Case Fund	Clerk Fee Fund	Clerk Bond Account	Clerk Trust Account	JP Pct. 1 & 2 - Arredondo	JP Pct. 3 & 4 - Ellis	Total Custodial Funds
\$ 34,295	\$ 2,118	\$ 16,305	\$ 10,868	\$ -	\$ -	\$ 130,530
34,295	2,118	16,305	10,868	-	-	130,530
34,295	2,118	16,305	10,868	-	-	130,530
\$ 34,295	\$ 2,118	\$ 16,305	\$ 10,868	\$ -	\$ -	\$ 130,530

TERRELL COUNTY, TEXAS
COMBINING SCHEDULE OF ACTIVITIES
CUSTODIAL FUNDS
SEPTEMBER 30, 2023

	71	72	73	101
	CUSTODIAL FUNDS			
	Sheriff's Forfeiture Fund	Sheriff's Education Fund	Sheriff's Towing	Tax Assessor/ Collector
ADDITIONS				
Contributions:				
Collections for County Services	\$ 80,195	\$ 548	\$ 23,249	\$ 107,402
Total Contributions	80,195	548	23,249	107,402
DEDUCTIONS				
Miscellaneous Expenditures	90,814	97	2,980	108,469
Total Expenses	90,814	97	2,980	108,469
Increase (Decrease) in Net Position	(10,619)	451	20,269	(1,067)
Net Position - Beginning	34,440	3,680	11,575	8,215
Net Position - Ending	\$ 23,821	\$ 4,131	\$ 31,844	\$ 7,148

<i>102</i>	<i>103</i>	<i>104</i>	<i>105</i>	<i>107</i>	<i>108</i>	
CUSTODIAL FUNDS						
Clerk Case Fund	Clerk Fee Fund	Clerk Bond Account	Clerk Trust Account	JP Pct. 1 & 2 - Arredondo	JP Pct. 3 & 4 - Ellis	Total Custodial Funds
\$ 8,278	\$ 35,796	\$ 540	\$ 520	\$ -	\$ -	\$ 256,528
8,278	35,796	540	520	-	-	256,528
1,256	59,239	-	-	15,436	26,790	305,081
1,256	59,239	-	-	15,436	26,790	305,081
7,022	(23,443)	540	520	(15,436)	(26,790)	(48,553)
27,273	25,561	15,765	10,348	15,436	26,790	179,083
\$ 34,295	\$ 2,118	\$ 16,305	\$ 10,868	\$ -	\$ -	\$ 130,530

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GOVERNMENT AUDITING STANDARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Terrell County, Texas (hereafter the "County"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 20, 2024.

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 three deficiencies in internal control that we consider to be material weaknesses. These matters are described in the accompanying schedule of findings and questioned costs as findings 2023-001 through 2023-003. Other material weaknesses may exist that have not been identified.

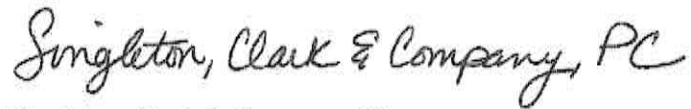
Compliance and Other Matters

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 two instances of material noncompliance that are required to be reported under *Government Auditing Standards*. These matters are described in the accompanying schedule of findings and questioned costs as findings 2023-004 and 2023-005.

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Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The script is cursive and fluid.

Singleton, Clark & Company, PC
Alpine, Texas

August 20, 2024

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
2023-001 Accounting and Financial Reporting
2023-002 Grant Reimbursement Claiming Procedures
2023-003 Investment Management
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☒ Yes ☐ No
2023-004 Negative Fund Balance in the General Fund
2023-005 Budgetary Compliance

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:

- 2023-001 Accounting and Financial Reporting–Excessive Audit Adjustments (Material Weakness)
- 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: As a result of the annual financial audit, the number of accounting corrections required to be applied by the audit firm in order to present the County's financial statements publicly and in accordance with generally accepted accounting principles was excessive (52). These corrections spanned the areas of recording accounts payable and accrued payroll, grants accounting adjustments, interfund transactions corrections, and reclassifications of misposts.
- 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. The County Treasurer in office during FY2023 neither possessed these skills nor ensured the skills were obtained from outside or other sources.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2023-001	Accounting and Financial Reporting (Material Weakness) (Continued)
Effect:	The noted accounting 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 regularly scheduled year-end financial audit. Without this information the County did not have access to useable information for the County's internal financial management needs related to budget creation for upcoming fiscal year or year-to-date budget-to-actual information for reliable monitoring of financial progress during the year. In addition, the number of required corrections applied by the audit firm encroached on the audit firm's ability to remain independent from the County.
Recommendation:	We have noted the change in Treasurer for the County and it appears the Treasurer's Office is already showing substantial improvement. We recommend the new Treasurer and her new Deputy continue to learn their roles, receive as much training as possible, and network with other County Treasurers to ensure their continued success.
Contact Person:	Pamela Blaylock, County Treasurer
2023-002	Grant Reimbursement Claiming Procedures (Material Weakness)
Criteria:	The state and federal governments structure most grant awards as cost-reimbursement grants whereby a grant must first be expended by an organization using its own funds and then those funds will be reimbursed to the organization later after qualifying claim requests are submitted to the grantor.
Condition Found:	During the audit it was noted the County lost potential funding from the Operation Lone Star grant due to inaccurate claims being filed with the Office of the Governor and simply lack of timely submission of claims. Expenditures present on the Operation Lone Star grant ledgers partially spanning FY2022 and into FY2023 were underclaimed by approximately \$323,000. As it appears these expenditures are no longer eligible to be reimbursed to the County, this amount was required to be covered through the County's local General Fund resources.
Cause:	Deficiencies in the County's grants accounting and grant claiming procedures led to grant claiming errors or simply lack of knowledge of amounts to claim for reimbursement.
Effect:	A significant amount of money spent with the original anticipation of being covered by the Operation Lone Star grant ultimately had to be covered using the already limited local funds of the County.
Recommendation:	The County should set a schedule to claim grant funds regularly (weekly or monthly) and base all claims from expenditure information obtained from the accounting ledgers of the grant funds.
Contact Person:	Pamela Blaylock, County Treasurer

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2023-003	Investment Management (Material Weakness)
Criteria:	County governments are frequently responsible for overseeing and managing their own investments in addition to funds held for others on a custodial basis.
Condition Found:	During the audit we noted a significant amount of funds within the Permanent School Fund managed by the County Treasurer were not being quickly reinvested after a given investment matured. These noted investments mature into a non-interest bearing checking account which is intended as only a temporarily holding account until the funds are reinvested by the County Treasurer. Analysis of this account over the course of FY2023 showed that it maintained an average daily balance in excess of \$2.3 million over the entire year.
Cause:	Improper monitoring of investment maturities and overall investment balances during the year by the County Treasurer.
Effect:	Assuming these funds if invested at the prevalent CD rates during FY2023 of 4% to 5%, the Permanent School Fund missed the opportunity to earn an approximate \$100,000 in additional investment earnings.
Recommendation:	We recommend an investments maturing schedule be developed and maintained by the County Treasurer and replacement investments are arranged in advance so as to minimize the amount of time all investable money is held in non-interest bearing accounts.
Contact Person:	Pamela Blaylock, County Treasurer
2023-004	Negative Fund Balance in the General Fund (Material Non-Compliance)
Criteria:	Governmental entities in Texas are required under state law to maintain a positive fund balance within their General Fund.
Condition Found:	As of September 30, 2023, the County's General Fund reported a negative fund balance of (\$167,579).
Cause:	This condition was caused by significantly reduced property tax revenues during the year and write-downs of receivables related to the Operation Lone Star grant during the year.
Effect:	The effect of the negative ending fund balance is noncompliance with state law regarding fund balance of the General Fund.
Recommendation:	We recommend the County take steps to remedy this situation as soon as possible.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2023-005	Budgetary Compliance (Material Non-Compliance)
Criteria:	As a financial control, each year the County adopts an expenditures budget by law 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 budgetary schedule reported a budgetary overage in the Public Safety line in the amount of \$123,998, reflecting a 27% over-expenditure.
Cause:	During the year the General Fund was required to absorb certain costs related to the Operation Lone Star grant which were not claimed timely. These costs were charged to the Public Safety line item of the General Fund budget.
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 Treasurer's Office generate budget-to-actual reports on a regular basis (monthly or quarterly) and bring needed budget amendments to the Commissioners Court to consider for approval when it appears that actual amounts may soon exceed budget for a given budgetary function.

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

2022-001	Accounting and Financial Reporting (Material Weakness)
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:	<p>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:</p> <ul style="list-style-type: none">• 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.

TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

Condition Found: (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.

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TERRELL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Current Status: A finding was reported again on the topic of Accounting and Financial Reporting for the year ended September 30, 2023.

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.

Current Status: A budget overage was reported again for the year ended September 30, 2023.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

Not Applicable.

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Terrell County Treasurer

P. O. Box 380 / 105 E Hackberry St.
Sanderson, TX 79848

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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

2023-001 Accounting and Financial Reporting

Corrective Action Planned

Terrell County Treasurer's office is committed to continue our training and networking to learn our roles and responsibility. We are also going to continue giving Commissioners Court monthly reports to ensure all financial information is up to date for that month. We are in communication with several other Treasurers across the state to help us if we have questions. We have attended TAC trainings and both of us are in the process of getting accounting classes online to make sure we run the Treasurer's office efficiently and accurately.

Anticipated Completion Date: Ongoing
Contact Person: Pamela Blaylock, County Treasurer

2023-002 Grant Reimbursement Claiming Procedures

Corrective Action Planned:

In January 2024 the Treasurer and administrative assistant for the sheriff office has been in contact daily and works together monthly to have timely submissions. As of August, we are also using the General Ledger to help ensure the submitting are correctly for the right amounts the county has already spent. We are in constant contact with the governor's office and all involved in all grants for Terrell County.

Anticipated Completion Date: Ongoing
Contact Person: Pamela Blaylock, County Treasurer

2023-003 Investment Management

Corrective Action Planned:

As of August 2024, the Treasurer's office was able to establish online monitoring with all investment accounts and has several contacts to reach out to as soon as funds mature to ensure they are reinvested on a timely manner so that funds are not held in a non-interest-bearing account. As well as submitting Quarterly investment reports to Commissioners court per Section 114.026 of the Texas Local Government Code.

Anticipated Completion Date: Ongoing
Contact Person: Pamela Blaylock, County Treasurer

Corrective Action Plan (Continued)

2023-004 Negative Fund Balance in General Fund

Corrective Action Planned:

Terrell County has experienced significant financial difficulties in recent years, causing a reduction of fund balance in the General Fund to very low levels, including the recent negative balance. The County is currently closely watching its budget and making every attempt to increase the fund balance from its negative condition and up to a financially secure level.

Anticipated Completion Date: Ongoing

Contact Person: Pamela Blaylock, County Treasurer

2023-005 Budgetary Compliance

Corrective Action Planned:

Treasurer's office will be giving Commissioners court a report for all adjustments every month as well as a report called Budget analysis usage report. We are currently waiting to finish getting new software up and running so all departments' heads and elected officials can log in and see all budget information at any time.

Anticipated Completion Date: Ongoing

Contact Person: Pamela Blaylock, County Treasurer