

TERRY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

TERRY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

TERRY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS (Continued)

| | <u>Statement Identification</u> | <u>Page No.</u> |
|---|-------------------------------------|---------------------|
| FINANCIAL SECTION | | |
| Independent Auditor’s Report | | 1 |
| Management’s Discussion and Analysis (Required Supplementary Information) | | 4 |
| <u>Basic Financial Statements</u> | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | Exhibit A-1 | 11 |
| Statement of Activities | Exhibit A-2 | 12 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | Exhibit A-3 | 13 |
| Reconciliation of the Governmental Funds | | |
| Balance Sheet to the Statement of Net Position | Exhibit A-4 | 14 |
| Statement of Revenues, Expenditures, and | | |
| Changes in Fund Balances – Governmental Funds | Exhibit A-5 | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and | | |
| Changes in Fund Balances of Governmental Funds to the | | |
| Statement of Activities | Exhibit A-6 | 16 |
| Fiduciary Fund Financial Statement: | | |
| Statement of Fiduciary Net Position | Exhibit A-7 | 17 |
| Notes to Financial Statements | | 18 |
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Schedule of Changes in Net Pension Liability and Related Ratios | Exhibit B-1 | 36 |
| Schedule of Employer Contributions | Exhibit B-2 | 37 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – | | |
| Budget and Actual – General Fund | Exhibit B-3 | 38 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – | | |
| Budget and Actual – Road & Bridge Fund | Exhibit B-4 | 39 |
| Notes to Required Supplementary Information | | 40 |
| COMBINING STATEMENTS | | |
| Combining Balance Sheet – Non-Major Governmental Funds | Exhibit C-1 | 41 |
| Combining Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances - Non-Major Governmental Funds | Exhibit C-2 | 42 |

TERRY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS (Concluded)

| | <u>Statement Identification</u> | <u>Page No.</u> |
|---|-------------------------------------|---------------------|
| Combining Balance Sheet – Non-Major Special Revenue Funds | Exhibit C-3 | 43 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Non-Major Special Revenue Funds | Exhibit C-4 | 44 |
| Combining Balance Sheet – Non-Major Special Revenue Funds | Exhibit C-5 | 45 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Non-Major Special Revenue Funds | Exhibit C-6 | 46 |
| OTHER INFORMATION REQUIRED BY GAO | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 47 |

TERRY COUNTY, TEXAS

**COUNTY OFFICIALS
DECEMBER 31, 2019**

| | |
|------------------|-------------------------|
| J.D. Wagner | County Judge |
| Mike Swain | Commissioner Precinct 1 |
| Kirby Keese | Commissioner Precinct 2 |
| Shorty Martinez | Commissioner Precinct 3 |
| Ernesto Elizardo | Commissioner Precinct 4 |
| Kim Carter | County Clerk |
| Janice Hudson | County Auditor |
| Karen Grigsby | County Treasurer |
| Rexann Furlow | Tax-Assessor-Collector |
| Angie Garza | Justice of Peace |
| Larry Gilbreath | Sheriff |

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Terry County, Texas (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Terry County, Texas, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and budgetary comparison information on pages 4-10 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Terry County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 21, 2020

TERRY COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section of Terry County, Texas' (the County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended December 31, 2019. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$29.3 million at December 31, 2019. Of this amount, \$7.2 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- The General Fund reported a fund balance this year of \$6.7 million, of which \$49,071 is non-spendable because it represents prepaid expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the County's Annual Financial Report

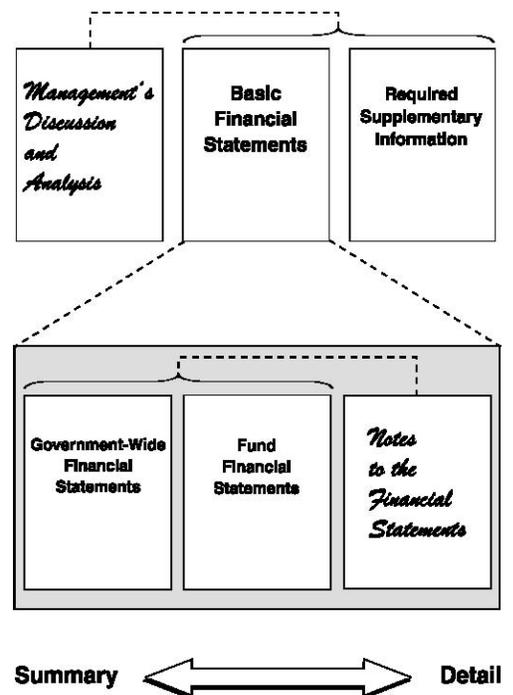


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE COUNTY’S GOVERNMENT-WIDE AND FUND STATEMENTS**

| Type of Statement | Government-Wide | Governmental Funds | Fiduciary Funds |
|---|---|---|--|
| Scope | Entire County’s government (except fiduciary funds) | The activities of the County that are not proprietary or fiduciary | Instances in which the County is the trustee or agent for someone else’s resources |
| Required financial statements | Statement of net position | Balance sheet | Statement of fiduciary net position |
| | Statement of activities | Statement of revenues, expenditures and changes in fund balances | Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resource focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets, liabilities, deferred inflows and outflows, that are both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received | All revenues and expenses during year; regardless of when cash is received or paid |

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the County’s finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents information on all of the County’s assets, liabilities, deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County’s financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities presents information showing how the government’s net position changed during the 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.

Both of these Government-Wide Financial Statements distinguish departments of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other departments that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general administration, county clerk, district clerk, county treasurer, tax assessor-collector, courthouse, county auditor, sheriff, jail, social services, county judge, district judge, county attorney, justice of the peace, court reporter, jury, county agent, livestock and exhibition, park services, highway patrol, fire services, elections administration, other libraries, airport, and road and bridge. These activities are financed primarily by property taxes, intergovernmental revenues, and grants. The County does not have business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. The County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes. The County has two types of funds: governmental and fiduciary.

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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. These reconciliations can be found in the basic financial statements section.

The County maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund statements for the major funds, as follows: General Fund, Road and Bridge Fund, and Permanent School Fund. The remaining funds are presented as other governmental funds.

The County adopts an annual appropriated budget for the general and road and bridge funds. A budgetary comparison schedule has been provided in the required supplementary information section to demonstrate compliance with these budgets.

- *Fiduciary funds*—The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position as listed in the table of contents. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the County cannot use these assets to finance its operations.

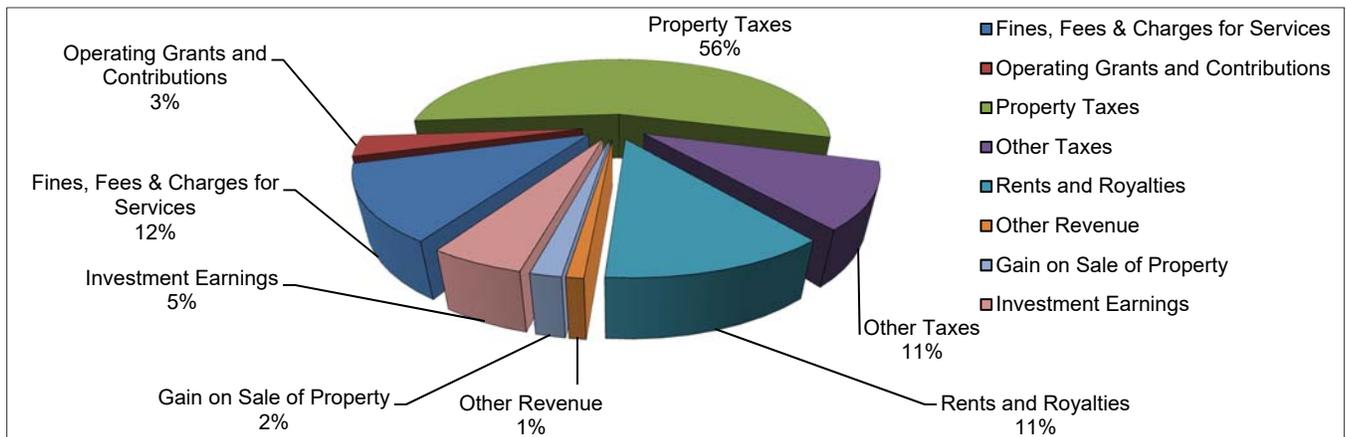
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's total assets were approximately \$37.0 million at December 31, 2019. The largest portion of the County's total assets (\$24.4 million) reflects its cash and cash equivalents (restricted and unrestricted) with the remainder (\$12.6 million) reported as capital assets, accounts/notes receivable, and other assets.

Table A-1
Net Position
(in thousands)

| | Governmental Activities | |
|----------------------------------|----------------------------|------------------|
| | 2019 | 2018 |
| Current and Other Assets | \$ 29,756 | \$ 28,323 |
| Capital and Non-Current Assets | 7,213 | 7,793 |
| Total Assets | \$ 36,969 | \$ 36,116 |
| Deferred Outflows of Resources | \$ 1,618 | \$ 861 |
| Current Liabilities | \$ 453 | \$ 361 |
| Long-Term Liabilities | 1,541 | 200 |
| Total Liabilities | \$ 1,994 | \$ 561 |
| Deferred Inflows of Resources | \$ 7,255 | \$ 7,183 |
| Net Investment in Capital Assets | \$ 7,213 | \$ 7,793 |
| Restricted | 14,948 | 13,870 |
| Unrestricted | 7,177 | 7,570 |
| Total Net Position | \$ 29,338 | \$ 29,233 |

Changes in Net Assets—The County's net position increased by approximately \$105 thousand during the current fiscal year. This increase in net position is due to the increased amount collected for property taxes and sales taxes and holding expenses relatively steady.



Governmental Activities—Total revenues for the fiscal year ending December 31, 2019 were \$12.2 million. Approximately 12% of the County’s revenue comes from charges for services, while 56% comes from property taxes. Investment earnings accounts for approximately 1% of total revenues. Operating grants and contributions, sale of property, rents and royalties, other taxes, and other revenue account for the remaining 31% of total revenues.

Table A-2
Changes in Net Position
(in thousands)

| | Governmental Activities | |
|---|----------------------------|------------------|
| | 2019 | 2018 |
| Revenues: | | |
| Program Revenues | | |
| Fines, Fees, and Charges for Services | \$ 1,432 | \$ 1,830 |
| Operating Grants and Contributions | 426 | 381 |
| General Revenues (Expenses) | | |
| Property Taxes | 6,812 | 6,837 |
| Other Taxes | 1,249 | 1,577 |
| Rents and Royalties | 1,368 | 238 |
| Investment Earnings | 104 | 65 |
| Gain (Loss) on Sale of Real and Personal Property | 187 | (6) |
| Other Revenue | 575 | 497 |
| Total Revenues | <u>\$ 12,153</u> | <u>\$ 11,419</u> |
| Expenses: | | |
| General Administration | \$ 1,482 | \$ 1,125 |
| County Clerk | 270 | 248 |
| District Clerk | 200 | 177 |
| County Treasurer | 141 | 124 |
| Tax Assessor-Collector | 192 | 171 |
| Courthouse | 486 | 423 |
| County Auditor | 209 | 185 |
| Sheriff | 785 | 699 |
| Jail | 2,349 | 2,617 |
| Social Services | 682 | 573 |
| County Judge | 252 | 231 |
| District Judge | 89 | 83 |
| County Attorney | 473 | 391 |
| Justice of the Peace | 246 | 220 |
| Jury | 15 | 18 |
| County Agent | 108 | 107 |
| Livestock and Exhibition | 40 | 42 |
| Park Services | 339 | 373 |
| Highway Patrol | 55 | 48 |
| Fire Services | 528 | 307 |
| Elections Administration | 83 | 86 |
| Other | 98 | 271 |
| Libraries | 208 | 198 |
| Airport | 289 | 279 |
| Road and Bridge | 2,429 | 1,919 |
| Interest on Long-Term Debt | | 4 |
| Total Expenses | <u>\$ 12,048</u> | <u>\$ 10,919</u> |
| Change in Net Position | \$ 105 | \$ 500 |
| Beginning Net Position | <u>29,233</u> | <u>28,733</u> |
| Ending Net Position | <u>\$ 29,338</u> | <u>\$ 29,233</u> |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

At the end of the year, the County's General Fund reported a fund balance of \$6.7 million, decreasing \$0.1 million from 2018. The unassigned fund balance is \$6.7 million and is available for spending at the government's discretion.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 86% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$0.6 million under final budgeted amounts. Revenues came in over the budget by \$0.7 million due to an increase in the property taxes and sales taxes for the general fund that was not reflected in the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of December 31, 2019, the County has invested \$7.2 million in a broad range of capital assets net of depreciation, including land, buildings, roads, equipment, county jail, infrastructure, and other improvements to county property.

More detailed information about the County's capital assets can be found in the notes to the financial statements.

| | Governmental Activities | |
|--------------------------------|-------------------------|-----------|
| | 2019 | 2018 |
| Construction Work in Progress | \$ | \$ |
| Land | 494 | 494 |
| Buildings and Improvements | 16,881 | 16,881 |
| Machinery and Equipment | 8,084 | 7,652 |
| Infrastructure | 2,805 | 2,805 |
| Total | \$ 28,264 | \$ 27,832 |
| Total Accumulated Depreciation | \$ 21,051 | \$ 20,039 |
| Net Capital Assets | \$ 7,213 | \$ 7,793 |

Long-Term Debt — As of December 31, 2019, the County has no bond issuances outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The tax rate was not changed from 2019 at \$0.73 per \$100.

This factor and others were taken into consideration when preparing the General Fund budget for the 2020 calendar year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Terry County Judge's Office, 500 W. Main, Room 102, Brownfield, Texas 79316 (806-637-6421).

BASIC FINANCIAL STATEMENTS

TERRY COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | <u>Primary Government Governmental Activities</u> |
|---|---|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 16,629,724 |
| Permanently Restricted Cash and Cash Equivalents | 7,786,098 |
| Taxes Receivable - Delinquent (Net of Allowance) | 40,998 |
| Taxes Receivable - Current | 4,945,411 |
| Office Receivables (Net of Allowance) | 204,532 |
| Intergovernmental Receivables | 84,062 |
| Inventory | 9,932 |
| Prepaid Items | 55,112 |
| Capital Assets (Net of Accumulated Depreciation): | |
| Land | 494,328 |
| Buildings and Improvements | 3,899,078 |
| Machinery and Equipment | 1,998,647 |
| Infrastructure | 820,589 |
| Total Assets | <u>\$ 36,968,511</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Pension Plan - Contribution Deferrals | \$ 556,308 |
| Pension Plan - Investment Earnings Differences | 998,623 |
| Pension Plan - Changes in Assumptions | 63,378 |
| Total Deferred Outflows of Resources | <u>\$ 1,618,309</u> |
| LIABILITIES: | |
| Accounts Payable | \$ 368,815 |
| Other Current Liabilities | 84,152 |
| Noncurrent Liabilities | |
| Net Pension Liability | 1,540,773 |
| Total Liabilities | <u>\$ 1,993,740</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Pension Plan - Experience Differences | \$ 90,510 |
| Unavailable Revenue - Current Taxes | 7,164,371 |
| Total Deferred Inflows of Resources | <u>\$ 7,254,881</u> |
| NET POSITION: | |
| Net Investment in Capital Assets | \$ 7,212,642 |
| Restricted For: | |
| Enabling Legislation | 956,137 |
| Road and Bridge | 3,132,803 |
| County Schools | 3,091,552 |
| Permanent School Fund | 7,768,071 |
| Unrestricted | 7,176,994 |
| Total Net Position | <u>\$ 29,338,199</u> |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Expenses</u> | <u>Program Revenues</u> | | Net Revenue (Expense) and Changes in Net Position |
|--|----------------------|---|---|--|
| | | <u>Fines, Fees & Charges for Services</u> | <u>Operating Grants and Contributions</u> | Total <u>Primary Gov. Governmental Activities</u> |
| Departments/Programs | | | | |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities | | | | |
| General Administration | \$ 1,482,318 | \$ | \$ 1,350 | \$ (1,480,968) |
| County Clerk | 269,601 | 152,538 | | (117,063) |
| District Clerk | 199,616 | 28,336 | 7,020 | (164,260) |
| County Treasurer | 140,588 | | | (140,588) |
| Tax Assessor-Collector | 192,290 | 37,697 | | (154,593) |
| Courthouse | 485,508 | 13,234 | | (472,274) |
| County Auditor | 208,890 | | | (208,890) |
| Sheriff | 785,353 | 39,805 | | (745,548) |
| Jail | 2,348,713 | 306,420 | | (2,042,293) |
| Social Services | 682,221 | 1,459 | 221,775 | (458,987) |
| County Judge | 251,777 | 21,283 | 44,096 | (186,398) |
| District Judge | 88,820 | | | (88,820) |
| County Attorney | 473,309 | 1,746 | | (471,563) |
| Justice of the Peace | 245,846 | 175,434 | | (70,412) |
| Jury | 15,410 | | 1,632 | (13,778) |
| County Agent | 108,160 | | | (108,160) |
| Livestock and Exhibition | 40,329 | | | (40,329) |
| Park Services | 338,759 | | | (338,759) |
| Highway Patrol | 55,057 | | | (55,057) |
| Fire Services | 528,102 | | 28,271 | (499,831) |
| Elections Administration | 82,594 | | | (82,594) |
| Other | 97,560 | | | (97,560) |
| Libraries | 207,787 | 5,100 | 16,332 | (186,355) |
| Airport | 289,232 | 69,199 | 60,722 | (159,311) |
| Road and Bridge | 2,429,036 | 580,005 | 44,989 | (1,804,042) |
| Total Governmental Activities | \$ <u>12,046,876</u> | \$ <u>1,432,256</u> | \$ <u>426,187</u> | \$ <u>(10,188,433)</u> |
| General Revenues: | | | | |
| Property Taxes | | | | \$ 6,811,965 |
| Other Taxes | | | | 1,248,403 |
| Rents and Royalties | | | | 1,367,947 |
| Other Revenue | | | | 103,791 |
| Gain on Sale of Real and Personal Property | | | | 187,050 |
| Investment Earnings | | | | 574,952 |
| Total General Revenues | | | | \$ <u>10,294,108</u> |
| Change in Net Position | | | | \$ 105,675 |
| Net Position - Beginning | | | | <u>29,232,524</u> |
| Net Position - Ending | | | | \$ <u><u>29,338,199</u></u> |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-3

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | General Fund | Permanent School Fund | Road and Bridge Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------|----------------------------|------------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 9,139,528 | \$ 3,091,552 | \$ 3,195,199 | \$ 1,203,445 | \$ 16,629,724 |
| Permanently Restricted Cash and Cash Equivalents | | 7,786,098 | | | 7,786,098 |
| Taxes Receivable - Delinquent (Net of Allowance) | 32,798 | | 8,200 | | 40,998 |
| Taxes Receivable - Current | 3,956,329 | | 989,082 | | 4,945,411 |
| Due from Other Funds | | | 443,792 | 3,091,552 | 3,535,344 |
| Intergovernmental Receivables | 84,062 | | | | 84,062 |
| Inventory | | | | 9,932 | 9,932 |
| Prepaid Items | 49,071 | | | 6,041 | 55,112 |
| Total Assets | <u>\$ 13,261,788</u> | <u>\$ 10,877,650</u> | <u>\$ 4,636,273</u> | <u>\$ 4,310,970</u> | <u>\$ 33,086,681</u> |
| LIABILITIES: | | | | | |
| Accounts Payable | \$ 290,303 | \$ 18,027 | \$ 52,091 | \$ 8,394 | \$ 368,815 |
| Due to Other Funds | 443,792 | 3,091,552 | | | 3,535,344 |
| Other Current Liabilities | 37,654 | | 10,305 | 36,193 | 84,152 |
| Total Liabilities | <u>\$ 771,749</u> | <u>\$ 3,109,579</u> | <u>\$ 62,396</u> | <u>\$ 44,587</u> | <u>\$ 3,988,311</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Unavailable Revenue - Delinquent Taxes | \$ 32,798 | | \$ 8,200 | | \$ 40,998 |
| Unavailable Revenue - Current Taxes | 5,731,497 | | 1,432,874 | | 7,164,371 |
| Total Deferred Inflows of Resources | <u>\$ 5,764,295</u> | <u>\$ 0</u> | <u>\$ 1,441,074</u> | <u>\$ 0</u> | <u>\$ 7,205,369</u> |
| FUND BALANCES: | | | | | |
| Non-Spendable - Inventory | \$ | \$ | \$ | \$ 9,932 | \$ 9,932 |
| Non-Spendable - Prepaid Items | 49,071 | | | 6,041 | 55,112 |
| Non-Spendable - Permanent School Fund | | 7,768,071 | | | 7,768,071 |
| Restricted - Enabling Legislation | | | | 956,137 | 956,137 |
| Restricted - County Schools | | | | 3,091,552 | 3,091,552 |
| Restricted - Road and Bridge | | | 3,132,803 | | 3,132,803 |
| Committed - Airport | | | | 168,667 | 168,667 |
| Assigned - Debt Service | | | | 34,054 | 34,054 |
| Unassigned | 6,676,673 | | | | 6,676,673 |
| Total Fund Balances | <u>\$ 6,725,744</u> | <u>\$ 7,768,071</u> | <u>\$ 3,132,803</u> | <u>\$ 4,266,383</u> | <u>\$ 21,893,001</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 13,261,788</u> | <u>\$ 10,877,650</u> | <u>\$ 4,636,273</u> | <u>\$ 4,310,970</u> | <u>\$ 33,086,681</u> |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | |
|--|-----------------------------|
| Total Fund Balances - Governmental Funds Balance Sheet | \$ 21,893,001 |
| Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because: | |
| Capital assets net of depreciation used in governmental activities are not reported in the funds. | 7,212,642 |
| Revenues unavailable to pay for current period expenditures are deferred in the funds. | 40,998 |
| Net Pension Liability and related Deferred Inflows and Outflows are not reported in the funds. | (12,974) |
| To record the Justice of Peace and County/Dist. Clerk fines receivable. | <u>204,532</u> |
| Net Position of Governmental Activities - Statement of Net Position | \$ <u><u>29,338,199</u></u> |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | General Fund | Permanent School Fund | Road and Bridge Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|----------------------|------------------------------|--------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes | \$ 5,450,451 | \$ | \$ 1,388,617 | \$ | \$ 6,839,068 |
| Other Taxes | 1,248,403 | | | | 1,248,403 |
| License and Permits | 158,340 | | 579,885 | | 738,225 |
| Intergovernmental Revenue and Grants | 367,705 | | 44,989 | 300,461 | 713,155 |
| Charges for Services | 78,737 | | 120 | 69,199 | 148,056 |
| Fines and Fees | 271,531 | | | 80,625 | 352,156 |
| Investment Earnings | 226,911 | 227,201 | 98,605 | 22,235 | 574,952 |
| Rents and Royalties | 4,900 | 1,342,187 | | 20,860 | 1,367,947 |
| Other Revenue | 43,369 | | 60,170 | 252 | 103,791 |
| Total Revenues | \$ 7,850,347 | \$ 1,569,388 | \$ 2,172,386 | \$ 493,632 | \$ 12,085,753 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Administration | \$ 1,110,192 | \$ 18,027 | \$ | \$ 275,705 | \$ 1,403,924 |
| County Clerk | 268,647 | | | | 268,647 |
| District Clerk | 192,838 | | | | 192,838 |
| County Treasurer | 135,798 | | | | 135,798 |
| Tax Assessor-Collector | 185,671 | | | | 185,671 |
| Courthouse | 182,532 | | | | 182,532 |
| County Auditor | 200,235 | | | | 200,235 |
| Sheriff | 794,550 | | | 11,818 | 806,368 |
| Jail | 2,144,719 | | | | 2,144,719 |
| Social Services | 293,255 | | | 355,794 | 649,049 |
| County Judge | 242,372 | | | | 242,372 |
| District Judge | 87,387 | | | | 87,387 |
| County Attorney | 451,744 | | | 85 | 451,829 |
| Justice of the Peace | 241,704 | | | | 241,704 |
| Jury | 15,410 | | | | 15,410 |
| County Agent | 95,790 | | | | 95,790 |
| Livestock and Exhibition | 28,672 | | | | 28,672 |
| Park Services | 306,800 | | | | 306,800 |
| Highway Patrol | 53,192 | | | | 53,192 |
| Fire Services | 528,102 | | | | 528,102 |
| Elections Administration | 80,708 | | | | 80,708 |
| Other | 96,419 | | | | 96,419 |
| Libraries | | | | 201,746 | 201,746 |
| Airport | | | | 179,901 | 179,901 |
| Road and Bridge | | | 2,474,947 | | 2,474,947 |
| Debt Service: | | | | | |
| Principal | | | | 0 | 0 |
| Interest | | | | 0 | 0 |
| Total Expenditures | \$ 7,736,737 | \$ 18,027 | \$ 2,474,947 | \$ 1,025,049 | \$ 11,254,760 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ 113,610 | \$ 1,551,361 | \$ (302,561) | \$ (531,417) | \$ 830,993 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In (Out) | \$ (260,000) | \$ (1,569,388) | \$ (155,000) | \$ 1,984,388 | \$ |
| Proceeds from Sale of Capital Assets | 18,750 | | 168,300 | | 187,050 |
| Total Other Financing Sources (Uses) | \$ (241,250) | \$ (1,569,388) | \$ 13,300 | \$ 1,984,388 | \$ 187,050 |
| Net Change in Fund Balances | \$ (127,640) | \$ (18,027) | \$ (289,261) | \$ 1,452,971 | \$ 1,018,043 |
| Fund Balances - Beginning | 6,853,384 | 7,786,098 | 3,422,064 | 2,813,412 | 20,874,958 |
| Fund Balances - Ending | \$ 6,725,744 | \$ 7,768,071 | \$ 3,132,803 | \$ 4,266,383 | \$ 21,893,001 |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|--|----|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 1,018,043 |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because: | | |
| Capital assets are not reported as expenses in the SOA. | | 792,846 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (1,372,941) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | (27,103) |
| Change in net pension liability and related deferred inflows and outflows are not recorded in the funds. | | (212,021) |
| To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable. | | <u>(93,149)</u> |
| Change in Net Position of Governmental Activities - Statement of Activities | \$ | <u><u>105,675</u></u> |

The accompanying notes are an integral part of this statement.

TERRY COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

| | <u>Agency Funds</u> |
|---------------------------|--------------------------|
| ASSETS: | |
| Current Assets | |
| Cash and Cash Equivalents | \$ <u>622,448</u> |
| Total Current Assets | \$ <u><u>622,448</u></u> |
| LIABILITIES: | |
| Current Liabilities | |
| Due to Others | \$ <u>622,448</u> |
| Total Current Liabilities | \$ <u><u>622,448</u></u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

The County operates under a county judge/Commissioners' Court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners' Court has governance responsibilities over all activities related to Terry County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

The County's major departments include general administration, county clerk, district clerk, county treasurer, tax assessor-collector, courthouse, county auditor, sheriff, jail, social services, county judge, district judge, county attorney, justice of the peace, jury, county agent, livestock and exhibition, park services, highway patrol, fire services, elections, other, libraries, airport, and road and bridge.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the County non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines, fees, grants, and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or department and, therefore, are clearly identifiable to a particular department. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The fund financial statements provide information about the County's funds, including fiduciary funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as non-major governmental funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in fund balance (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy but are not available until the year they have been budgeted for, therefore the levy is recorded as deferred revenue as of October 1 of each year and recognized as revenue on January 1 of the following year. The delinquent portion of property taxes receivable are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at December 31 of each year. Property tax revenues are considered available if collected within 60 days subsequent to year end. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are materially unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The County applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Commissioners' Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Auditor or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into four fund types: General Fund, Debt Service Fund, Permanent Fund, and Special Revenue Funds. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioners' Court.

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The County maintains the following funds:

Major Governmental Funds:

General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Permanent School Fund – This fund is used to account for the accumulation of resources for and the payment of subsidies to County schools on a per child basis as decided by the Commissioners' court annually. Land owned by the County was sold and the proceeds from that land created a corpus that cannot be spent. Oil royalties and investment earnings can be used to subsidize schools located within the County, but the corpus cannot be spent in accordance with Section 6, Article VII, Constitution of the State of Texas and Tex. Educ. Code Ann. tit. 2, §§17.01-.99-App. (Vernon 1996).

Road and Bridge Fund – This special revenue fund is used to account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for County citizens.

Non-Major Governmental Funds:

Series 2005 General Obligation Bond Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of, the principal and interest on the tax-exempt bonds issued by the County. This fund paid off its debt in 2018 but is kept open for future use.

All Other Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, such as, records management fees imposed by the fee offices of the County. These fees can only be used for records management and not used as general funds of the County.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

E. DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. OTHER ACCOUNTING POLICIES

1. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Buildings, vehicles, furniture and equipment, and infrastructure of the County are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|-------|
| Buildings and Improvements | 10-39 |
| Machinery and Equipment | 5-10 |
| Infrastructure | 20 |

2. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer paid by the County.
3. Inventory is valued using the average cost method and relates to fuel purchases and sales at the airport.

II. PROPERTY TAX

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January, 1980.

Terry County Appraisal District appraises property values in the County. The Terry County Tax Assessor-Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rate assessed to finance operations of the County for the year ended December 31, 2019 was \$0.73 per \$100 valuation.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2019, the carrying amount of the County's deposits (cash and interest-bearing savings accounts, Texpool, and money market accounts – reported as cash and cash equivalents) were \$24,415,822 (\$622,448– fiduciary) and the bank balance was \$25,122,630.

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

TexPool is organized in conformity with 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 Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended December 31, 2019 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County does not have any securities and is not exposed to custodial credit risk.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies' repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC.

B. PERMANENTLY RESTRICTED CASH

Permanently Restricted Cash for the year ended December 31, 2019 was \$7,786,098 and is permanently restricted for the corpus of the permanent school fund.

C. DISAGGREGATION OF RECEIVABLES

Receivables at December 31, 2019, were as follows:

| | <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Total Receivables</u> |
|------------------------------------|-------------------------|---------------------------------|------------------------------|
| Governmental Activities | | | |
| Property Taxes - Delinquent | \$ 117,567 | \$ 27,969 | \$ 145,536 |
| Property Taxes - Current | 3,956,329 | 989,082 | 4,945,411 |
| Government Wide Office Receivables | 1,821,673 | | 1,821,673 |
| Intergovernmental Receivables | | | |
| Due from State | 55,141 | | 55,141 |
| Due from Other Entities | 1,138 | | 1,138 |
| Due on Detention Center | 27,783 | | 27,783 |
| Less: Allowance for | | | |
| Uncollectible - Taxes Delinquent | (84,769) | (19,769) | (104,538) |
| Less: Allowance for | | | |
| Uncollectible - Office Receivables | <u>(1,617,141)</u> | | <u>(1,617,141)</u> |
| Total - Governmental | <u>\$ 4,277,721</u> | <u>\$ 997,282</u> | <u>\$ 5,275,003</u> |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

D. INTERFUND BALANCES AND TRANSFERS

Current property taxes are collected all in the general fund until they are disbursed January 1 of each year to the Debt Service Fund and Road and Bridge Funds. The Permanent school fund must distribute its earnings annually to the available school fund so the earnings can be available for appropriation.

| <u>Due to</u> | <u>Due From</u> | <u>Amount</u> | <u>Description of Balance</u> |
|--------------------------|-----------------------|---------------------|----------------------------------|
| Road and Bridge Fund | General Fund | \$ 443,792 | Current Property Tax Collections |
| Available School Fund | Permanent School Fund | <u>3,091,552</u> | Investment Earnings |
| | | <u>\$ 3,535,344</u> | |
| | | | |
| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> | <u>Description of Transfer</u> |
| Available School Fund | Permanent School Fund | \$ 1,569,388 | Available Funds Balances |
| Juvenile Office Fund | General Fund | 175,000 | Annual Operating Contributions |
| Airport Maintenance Fund | General Fund | 60,000 | Annual Operating Contributions |
| Library Fund | General Fund | <u>180,000</u> | Budgeted Operating Transfer |
| | | <u>\$ 1,984,388</u> | |

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended December 31, 2019 was as follows:

| | <u>Balance January 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance December 31, 2019</u> |
|---|--|---------------------|---------------------|--|
| Governmental Activities | | | | |
| Land | \$ 494,328 | \$ | \$ | \$ 494,328 |
| Buildings and Improvements | 16,880,567 | | | 16,880,567 |
| Machinery and Equipment | 7,652,174 | 792,846 | (360,555) | 8,084,465 |
| Infrastructure | <u>2,804,561</u> | | | <u>2,804,561</u> |
| Totals at Historic Cost | <u>\$ 27,831,630</u> | <u>\$ 792,846</u> | <u>\$ (360,555)</u> | <u>\$ 28,263,921</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | \$ 12,389,951 | \$ 591,536 | \$ | \$ 12,981,487 |
| Machinery and Equipment | 5,724,290 | 722,084 | (360,555) | 6,085,819 |
| Infrastructure | <u>1,924,652</u> | <u>59,321</u> | | <u>1,983,973</u> |
| Total Accumulated Depreciation | <u>\$ 20,038,893</u> | <u>\$ 1,372,941</u> | <u>\$ (360,555)</u> | <u>\$ 21,051,279</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 7,792,737</u> | <u>\$ (580,095)</u> | <u>\$</u> | <u>\$ 7,212,642</u> |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Current year depreciation expense was charged to governmental functions as follows:

| | | |
|--------------------------|----|------------------|
| General Administration | \$ | 19,198 |
| Courthouse | | 335,672 |
| County Clerk | | 841 |
| Sheriff | | 43,189 |
| Jail | | 180,850 |
| Social Services | | 23,588 |
| County Attorney | | 7,143 |
| Justice of the Peace | | 1,055 |
| County Agent | | 10,407 |
| Livestock and Exhibition | | 11,657 |
| Park Services | | 31,959 |
| Libraries | | 1,141 |
| Airport | | 108,811 |
| Road and Bridge | | 597,430 |
| | \$ | <u>1,372,941</u> |

F. DEFERRED INFLOWS OF RESOURCES – CURRENT TAXES

The County's year ends December 31, 2019 but the County has already levied taxes as of October 1, 2019 for their budget year ended December 31, 2019. This timing difference makes current tax levy deferred revenue until January 1, 2020. Deferred Inflows of Resources were \$7,164,371 for the year ended December 31, 2019.

G. RISK MANAGEMENT

Workers' Compensation

During the fiscal year ended December 31, 2019 employees of the County were covered by a workers' compensation plan administered by Texas Association of Counties. The County paid a contribution of \$37,358 for the fiscal year ended December 31, 2019. These figures are subject to change based upon actual payroll figures.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

H. RETIREMENT PENSION PLAN

Plan Description

The County provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 781 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight 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 ten years of service.

Members are vested after ten years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the County as of December 31, 2019.

| <u>Net Pension Liability</u> | <u>Total</u> |
|---|---------------------|
| Total Pension Liability | \$ 17,855,212 |
| Less: Plan Fiduciary Net Position | <u>(16,314,439)</u> |
| Net Pension Liability | <u>\$ 1,540,773</u> |
| Net Position as Percentage of Total Pension Liability | 91.37% |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Benefits Provided

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with 8 years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2018 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2018 included (a) an 8.00% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 3.25% to 4.90%. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 14.00% for 2018. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

| | Contribution Rates | |
|-----------------------------|--------------------|---------|
| | 2017 | 2018 |
| Member | 7.00% | 7.00% |
| Employer | 14.00% | 14.00% |
| 2018 Employer Contributions | \$ | 723,401 |
| 2018 Member Contributions | | 283,263 |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|-------------------|
| Valuation Date | December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | |
| Smoothing Period | Five Years |
| Recognition Method | Non-Asymptotic |
| Corridor | None |
| Remaining Amortization Period | 3.6 Years |
| Discount Rate | 8.10% |
| Long-Term Expected Investment | |
| Rate of Return* | 8.10% |
| Salary Increases* | 3.50%-4.90% |
| Payroll Growth Rate | 3.25% |

*Includes Inflation of 2.75%

The actuarial methods and assumptions are primarily based on a study of the County's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a four-year set-forward.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2018 are summarized below:

| Asset Class | Target Allocation** | Long-Term Expected Portfolio Real Rate of Return* |
|------------------------------------|---------------------|---|
| U.S. Equities | 10.50% | 5.40% |
| Private Equity | 18.00% | 8.40% |
| Global Equities | 2.50% | 5.70% |
| International Equities - Developed | 10.00% | 5.40% |
| International Equities - Emerging | 7.00% | 5.90% |
| Investment-Grade Bonds | 3.00% | 1.60% |
| Strategic Credit | 12.00% | 4.39% |
| Direct Lending | 11.00% | 7.95% |
| Distressed Debt | 2.00% | 7.20% |
| REIT Equities | 2.00% | 4.15% |
| Master Limited Partnerships | 3.00% | 5.35% |
| Private Real Estate Partnerships | 6.00% | 6.30% |
| Hedge Funds | 13.00% | 3.90% |
| Total | 100.00% | |

* - Geometric real rates of return in addition to assumed inflation of 1.70%, per Cliffwater's 2019 capital market assumptions

** - Target asset allocation adopted at the April 2019 TCDRS Board Meeting

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the 2019 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.1%) | Discount Rate (8.1%) | 1% Increase in Discount Rate (9.1%) |
|-------------------------------|--|----------------------|--|
| Total Pension Liability | \$ 19,878,924 | \$ 17,855,212 | \$ 16,128,799 |
| Fiduciary Net Position | (16,314,439) | (16,314,439) | (16,314,439) |
| Net Pension Liability/(Asset) | \$ 3,564,485 | \$ 1,540,773 | \$ (185,640) |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

At December 31, 2018, the County reported a liability of \$1,540,773 for its proportionate share of the TCDRS net pension liability.

The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2018 through December 31, 2018.

For the plan year ended December 31, 2018, there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which was a change in assumptions.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

At December 31, 2018, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

| | <u>Deferred (Inflows) Outflows of Resources</u> |
|---|---|
| Differences Between Expected and Actual Economic Experience | \$ (90,510) |
| Changes in Assumptions | 63,378 |
| Contribution Deferrals | 556,308 |
| Net Difference Between Projected and Actual Earnings | <u>998,623</u> |
| Total | <u>\$ 1,527,799</u> |

The net amounts of the employer's balances of deferred (inflows) outflows related to pensions will be recognized in pension expense as follows:

| | <u>Pension Expense Amount</u> |
|------|-----------------------------------|
| 2019 | \$ 881,076 |
| 2020 | 174,036 |
| 2021 | 142,035 |
| 2022 | <u>330,652</u> |
| | <u>\$ 1,527,799</u> |

TERRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

At December 31, 2018, the County reported deferred resource (inflows) outflows for the TCDRS pension plan as follows:

| | Deferred (Inflows) Outflows of Resources |
|--|--|
| Total Net Amounts as of December 31, 2017 Measurement Date | \$ 399,313 |
| Contributions Made Subsequent to the Measurement Date | 556,308 |
| Contributions Made Prior to the Measurement Date | (723,297) |
| Experience Differences | 1,144 |
| Earnings Differences | 1,653,252 |
| Amortization of Deferred (Inflows) Outflows | (358,921) |
| Total Net Amounts as of December 31, 2018 | \$ <u>1,527,799</u> |

Pension Expense

Pension expense for the plan for the year ended December 31, 2018 was \$768,435 and was calculated as follows:

| | Pension Expense |
|--|--------------------|
| Service Cost | \$ 523,930 |
| Interest on Total Pension Liability | 1,363,923 |
| Effect of Plan Changes | 139,785 |
| Administrative Expenses | 13,103 |
| Member Contributions | (283,263) |
| Expected Investment Return Net of Investment Expenses | (1,344,843) |
| Amortization of Deferred Inflows and Outflows of Resources | 358,923 |
| Other | (3,123) |
| Total Net Amounts as of December 31, 2018 | \$ <u>768,435</u> |

Employees Covered by Benefit Terms

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

| | |
|--|------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 81 |
| Inactive Employees Entitled to but not Yet Receiving Benefits | 44 |
| Active Employees | <u>90</u> |
| Total Plan Employees | <u>215</u> |

TERRY COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. LITIGATION AND COMMITMENTS

There is no pending litigation against the County at December 31, 2019 that would have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | 12/31/2014 | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY: | | | | | |
| Service Cost | \$ 469,736 | \$ 468,752 | \$ 505,444 | \$ 538,493 | \$ 523,930 |
| Interest Cost | 1,112,006 | 1,166,288 | 1,217,149 | 1,288,879 | 1,363,923 |
| Effect of Plan Changes | | (72,860) | | | 139,785 |
| Effect of Economic/Demographic losses | (148,649) | (164,364) | (206,835) | (79,322) | 1,144 |
| Effect of Assumptions Changes or Inputs | | 170,591 | | 126,757 | |
| Benefit Payments/Refunds of Contributions | <u>(732,628)</u> | <u>(891,210)</u> | <u>(930,700)</u> | <u>(910,709)</u> | <u>(957,747)</u> |
| Net Change in Total Pension Liability | \$ 700,465 | \$ 677,197 | \$ 585,058 | \$ 964,098 | \$ 1,071,035 |
| Total Pension Liability, Beginning | <u>13,857,359</u> | <u>14,557,824</u> | <u>15,235,021</u> | <u>15,820,079</u> | <u>16,784,177</u> |
| Total Pension Liability, Ending | \$ <u>14,557,824</u> | \$ <u>15,235,021</u> | \$ <u>15,820,079</u> | \$ <u>16,784,177</u> | \$ <u>17,855,212</u> |
| FIDUCIARY NET POSITION: | | | | | |
| Employer Contributions | \$ 495,113 | \$ 500,302 | \$ 555,507 | \$ 580,615 | \$ 723,401 |
| Member Contributions | 247,557 | 250,151 | 277,753 | 290,333 | 283,263 |
| Investment Income, Net of Expenses | 890,511 | 108,904 | 1,004,936 | 2,118,336 | (308,409) |
| Benefit Payments/Refunds of Contributions | (732,628) | (891,210) | (930,700) | (910,709) | (957,747) |
| Administrative Expenses | (10,262) | (9,914) | (11,092) | (11,029) | (13,104) |
| Other | <u>(16,066)</u> | <u>62,229</u> | <u>(161,706)</u> | <u>(635)</u> | <u>3,124</u> |
| Net Change in Fiduciary Net Position | \$ 874,225 | \$ 20,462 | \$ 734,698 | \$ 2,066,911 | \$ (269,472) |
| Fiduciary Net Position, Beginning | <u>12,887,615</u> | <u>13,761,840</u> | <u>13,782,302</u> | <u>14,517,000</u> | <u>16,583,911</u> |
| Fiduciary Net Position, Ending | \$ <u>13,761,840</u> | \$ <u>13,782,302</u> | \$ <u>14,517,000</u> | \$ <u>16,583,911</u> | \$ <u>16,314,439</u> |
| NET PENSION LIABILITY: | \$ <u>795,984</u> | \$ <u>1,452,719</u> | \$ <u>1,303,079</u> | \$ <u>200,266</u> | \$ <u>1,540,773</u> |
| Fiduciary Net Position as a % of Total Pension Liability | <u>94.53%</u> | <u>90.46%</u> | <u>91.76%</u> | <u>98.81%</u> | <u>91.37%</u> |
| County's Covered-Employee Payroll | \$ <u>3,536,522</u> | \$ <u>3,573,586</u> | \$ <u>3,967,904</u> | \$ <u>4,147,620</u> | \$ <u>4,046,619</u> |
| Net Pension Liability as a % of Covered Payroll | <u>22.51%</u> | <u>40.65%</u> | <u>32.84%</u> | <u>4.83%</u> | <u>38.08%</u> |

Note: Only five years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See notes to required supplementary information.

TERRY COUNTY, TEXAS

Exhibit B-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

| Year Ending December 31, | Contractually Required Contribution | Actual Employer Contribution | Pensionable Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--------------------------------|---|------------------------------------|-----------------------------------|---|
| 2015 | \$ 500,302 | \$ 500,302 | \$ 3,536,522 | 14% |
| 2016 | 555,507 | 555,507 | 3,967,904 | 14% |
| 2017 | 580,615 | 580,615 | 4,147,993 | 14% |
| 2018 | 566,527 | 566,527 | 4,046,644 | 14% |
| 2019 | 556,308 | 556,308 | 3,973,622 | 14% |

Note: GASB 68, Paragraph 81.2b requires that the data in this schedule be presented as of the County's current fiscal year as opposed to the time period covered by the measurement date of January 1, 2018 - December 31, 2018.

Note: Only five years of data are presented in accordance with GASB #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See notes to required supplementary information.

TERRY COUNTY, TEXAS

Exhibit B-3

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | (Unaudited) | | Actual Amounts | Variance with Final Budget Positive or (Negative) |
|--|-----------------------|-----------------------|---------------------|--|
| | Budgeted Amounts | | | |
| | Original | Final | | |
| Revenue: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 5,192,500 | \$ 5,213,500 | \$ 5,450,451 | \$ 236,951 |
| Other Taxes | 1,132,800 | 1,136,800 | 1,248,403 | 111,603 |
| License and Permits | 111,250 | 111,250 | 158,340 | 47,090 |
| Intergovernmental Revenue and Grants | 380,700 | 377,971 | 367,705 | (10,266) |
| Charges for Services | 44,550 | 44,550 | 78,737 | 34,187 |
| Fines and Fees | 155,590 | 172,361 | 271,531 | 99,170 |
| Investment Earnings | 63,500 | 65,857 | 226,911 | 161,054 |
| Rents and Royalties | 5,000 | 5,000 | 4,900 | (100) |
| Other Revenue | 7,400 | 7,400 | 43,369 | 35,969 |
| Total Revenues | <u>\$ 7,093,290</u> | <u>\$ 7,134,689</u> | <u>\$ 7,850,347</u> | <u>\$ 715,658</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Administration | \$ 1,180,700 | \$ 1,208,895 | \$ 1,110,192 | \$ 98,703 |
| County Clerk | 314,435 | 312,889 | 268,647 | 44,242 |
| District Clerk | 212,132 | 212,132 | 192,838 | 19,294 |
| County Treasurer | 148,608 | 148,608 | 135,798 | 12,810 |
| Tax Assessor-Collector | 204,070 | 204,070 | 185,671 | 18,399 |
| Courthouse | 168,820 | 133,349 | 182,532 | (49,183) |
| County Auditor | 217,463 | 217,355 | 200,235 | 17,120 |
| Sheriff | 840,166 | 829,746 | 794,550 | 35,196 |
| Jail | 2,503,671 | 2,414,403 | 2,144,719 | 269,684 |
| Social Services | 199,728 | 312,272 | 293,255 | 19,017 |
| County Judge | 264,374 | 264,367 | 242,372 | 21,995 |
| District Judge | 103,428 | 105,236 | 87,387 | 17,849 |
| County Attorney | 489,230 | 487,327 | 451,744 | 35,583 |
| Justice of the Peace | 261,109 | 262,798 | 241,704 | 21,094 |
| Jury | 26,200 | 26,200 | 15,410 | 10,790 |
| County Agent | 119,882 | 108,443 | 95,790 | 12,653 |
| Livestock and Exhibition | 48,000 | 38,000 | 28,672 | 9,328 |
| Park Services | 308,800 | 307,300 | 306,800 | 500 |
| Highway Patrol | 58,450 | 12,830 | 53,192 | (40,362) |
| Fire Services | 520,300 | 520,300 | 528,102 | (7,802) |
| Elections Administration | 100,900 | 95,499 | 80,708 | 14,791 |
| Other | 286,043 | 84,782 | 96,419 | (11,637) |
| Total Expenditures | <u>\$ 8,576,509</u> | <u>\$ 8,306,801</u> | <u>\$ 7,736,737</u> | <u>\$ 570,064</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (1,483,219)</u> | <u>\$ (1,172,112)</u> | <u>\$ 113,610</u> | <u>\$ 1,285,722</u> |
| Other Financing Uses: | | | | |
| Transfers Out | \$ (215,000) | \$ (215,000) | \$ (260,000) | \$ (45,000) |
| Sale of Real and Personal Property | | | 18,750 | 18,750 |
| Total Other Financing Uses | <u>\$ (215,000)</u> | <u>\$ (215,000)</u> | <u>\$ (241,250)</u> | <u>\$ (26,250)</u> |
| Net Change in Fund Balances | <u>\$ (1,698,219)</u> | <u>\$ (1,387,112)</u> | <u>\$ (127,640)</u> | <u>\$ 1,259,472</u> |
| Fund Balances - Beginning | <u>6,853,384</u> | <u>6,853,384</u> | <u>6,853,384</u> | |
| Fund Balances - Ending | <u>\$ 5,155,165</u> | <u>\$ 5,466,272</u> | <u>\$ 6,725,744</u> | |

See notes to required supplementary information.

TERRY COUNTY, TEXAS

Exhibit B-4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | (Unaudited) Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive or (Negative) |
|--|---------------------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 1,319,160 | \$ 1,380,073 | \$ 1,388,617 | \$ 8,544 |
| License and Permits | 411,000 | 579,885 | 579,885 | |
| Intergovernmental Revenue and Grants | | 22,494 | 44,989 | 22,495 |
| Charges for Services | 500 | 500 | 120 | (380) |
| Investment Earnings | 21,200 | 98,197 | 98,605 | 408 |
| Other Revenue | 100 | 60,170 | 60,170 | |
| Total Revenues | <u>\$ 1,751,960</u> | <u>\$ 2,141,319</u> | <u>\$ 2,172,386</u> | <u>\$ 31,067</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Road & Bridge | \$ 2,059,717 | \$ 2,402,215 | \$ 2,474,947 | \$ (72,732) |
| Total Expenditures | <u>\$ 2,059,717</u> | <u>\$ 2,402,215</u> | <u>\$ 2,474,947</u> | <u>\$ (72,732)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (307,757)</u> | <u>\$ (260,896)</u> | <u>\$ (302,561)</u> | <u>\$ (41,665)</u> |
| Other Financing Sources: | | | | |
| Transfers In (Out) | \$ (5,000) | \$ (155,000) | \$ (155,000) | \$ |
| Sale of Real and Personal Property | \$ | \$ | \$ 168,300 | \$ 168,300 |
| Total Other Financing Sources | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 13,300</u> | <u>\$ 13,300</u> |
| Net Change in Fund Balances | <u>\$ (307,757)</u> | <u>\$ (260,896)</u> | <u>\$ (289,261)</u> | <u>\$ (28,365)</u> |
| Fund Balances - Beginning | <u>3,422,064</u> | <u>3,422,064</u> | <u>3,422,064</u> | |
| Fund Balances - Ending | <u>\$ 3,114,307</u> | <u>\$ 3,161,168</u> | <u>\$ 3,132,803</u> | |

See notes to required supplementary information.

TERRY COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CHANGES OF ASSUMPTIONS

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

B. BUDGETARY DATA

The County follows these procedures in establishing budgetary data reflected in these financial statements:

1. The County Judge, as budget officer, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about January 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2018 budget were approved by the Commissioners' Court as provided by law.

COMBINING STATEMENTS

TERRY COUNTY, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | Series 2005 General Obligation Bond Debt Service Fund | Total Non-Major Special Revenue Funds (See Exhibit C-3) | Total Non-Major Governmental Funds (See Exhibit A-3) |
|--|---|--|---|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 34,054 | \$ 1,169,391 | \$ 1,203,445 |
| Due from Other Funds | | 3,091,552 | 3,091,552 |
| Inventory | | 9,932 | 9,932 |
| Prepaid Items | | 6,041 | 6,041 |
| Total Assets | <u>\$ 34,054</u> | <u>\$ 4,276,916</u> | <u>\$ 4,310,970</u> |
| LIABILITIES: | | | |
| Accounts Payable | \$ | \$ 8,394 | \$ 8,394 |
| Other Current Liabilities | | 36,193 | 36,193 |
| Total Liabilities | <u>\$ 0</u> | <u>\$ 44,587</u> | <u>\$ 44,587</u> |
| FUND BALANCES: | | | |
| Non-Spendable - Prepays | \$ | \$ 6,041 | \$ 6,041 |
| Non-Spendable - Inventory | | 9,932 | 9,932 |
| Restricted for Enabling Legislation | | 956,137 | 956,137 |
| Restricted for County Schools | | 3,091,552 | 3,091,552 |
| Committed - Airport | | 168,667 | 168,667 |
| Assigned - Debt Service | 34,054 | | 34,054 |
| Total Fund Balances | <u>\$ 34,054</u> | <u>\$ 4,232,329</u> | <u>\$ 4,266,383</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 34,054</u> | <u>\$ 4,276,916</u> | <u>\$ 4,310,970</u> |

TERRY COUNTY, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

| | Series 2005 General Obligation Bond Debt Service Fund | Total Non-Major Special Revenue Funds (See Exhibit C-4) | Total Non-Major Governmental Funds (See Exhibit A-5) |
|--|---|---|--|
| Revenue: | | | |
| Intergovernmental Revenue and Grants | \$ | \$ 300,461 | \$ 300,461 |
| Charges for Services | | 69,199 | 69,199 |
| Fines and Fees | | 80,625 | 80,625 |
| Investment Earnings | | 22,235 | 22,235 |
| Rents and Royalties | | 20,860 | 20,860 |
| Other Revenue | | 252 | 252 |
| Total Revenues | \$ - | \$ 493,632 | \$ 493,632 |
| Expenditures: | | | |
| Current: | | | |
| General Administration | \$ | \$ 275,705 | \$ 275,705 |
| Sheriff | | 11,818 | 11,818 |
| Social Services | | 355,794 | 355,794 |
| County Attorney | | 85 | 85 |
| Libraries | | 201,746 | 201,746 |
| Airport | | 179,901 | 179,901 |
| Debt Service: | | | |
| Principal | | | 0 |
| Interest | | | 0 |
| Total Expenditures | \$ 0 | \$ 1,025,049 | \$ 1,025,049 |
| Deficiency of Revenues Under Expenditures | \$ 0 | \$ (531,417) | \$ (531,417) |
| Other Financing Sources: | | | |
| Transfers In | \$ | \$ 1,984,388 | \$ 1,984,388 |
| Total Other Financing Sources | \$ 0 | \$ 1,984,388 | \$ 1,984,388 |
| Net Change in Fund Balances | \$ 0 | \$ 1,452,971 | \$ 1,452,971 |
| Fund Balances - Beginning | 34,054 | 2,779,358 | 2,813,412 |
| Fund Balances - Ending | \$ 34,054 | \$ 4,232,329 | \$ 4,266,383 |

TERRY COUNTY, TEXAS

Exhibit C-3

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

| | Library Fund | Law Library Fund | Juvenile Office Fund | Juvenile Fund | Juror's Fund | Terry County Airport Maintenance Fund | Check Collection Fund | County Attorney Forfeiture Fund | Non-Major Special Revenue Funds (See Exhibit C-5) | Total Non-Major Special Revenue Funds (See Exhibit C-1) |
|-------------------------------------|------------------|-------------------|----------------------|------------------|------------------|---------------------------------------|-----------------------|---------------------------------|---|---|
| ASSETS: | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 21,981 | \$ 136,848 | \$ 150,246 | \$ 21,847 | \$ 36,166 | \$ 168,982 | \$ 31,969 | \$ 21,290 | \$ 580,062 | \$ 1,169,391 |
| Due from Other Funds | | | | | | | | | 3,091,552 | 3,091,552 |
| Inventory | | | | | | 9,932 | | | | 9,932 |
| Prepaid Items | 2,750 | | | | | | | | 3,291 | 6,041 |
| Total Assets | <u>\$ 24,731</u> | <u>\$ 136,848</u> | <u>\$ 150,246</u> | <u>\$ 21,847</u> | <u>\$ 36,166</u> | <u>\$ 178,914</u> | <u>\$ 31,969</u> | <u>\$ 21,290</u> | <u>\$ 3,674,905</u> | <u>\$ 4,276,916</u> |
| LIABILITIES: | | | | | | | | | | |
| Accounts Payable | \$ 2,854 | \$ 168 | \$ 3,550 | \$ 1,673 | \$ 6 | \$ 143 | \$ | \$ | \$ | \$ 8,394 |
| Other Current Liabilities | 1,473 | 24,531 | 1,533 | 8,484 | | 172 | | | | 36,193 |
| Total Liabilities | <u>\$ 4,327</u> | <u>\$ 24,699</u> | <u>\$ 5,083</u> | <u>\$ 10,157</u> | <u>\$ 6</u> | <u>\$ 315</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 44,587</u> |
| FUND BALANCES: | | | | | | | | | | |
| Non-Spendable - Prepays | \$ 2,750 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 3,291 | \$ 6,041 |
| Non-Spendable - Inventory | | | | | | 9,932 | | | | 9,932 |
| Restricted for Enabling Legislation | 17,654 | 112,149 | 145,163 | 11,690 | 36,160 | | 31,969 | 21,290 | 580,062 | 956,137 |
| Restricted for County Schools | | | | | | | | | 3,091,552 | 3,091,552 |
| Committed - Airport | | | | | | 168,667 | | | | 168,667 |
| Total Fund Balances | <u>\$ 20,404</u> | <u>\$ 112,149</u> | <u>\$ 145,163</u> | <u>\$ 11,690</u> | <u>\$ 36,160</u> | <u>\$ 178,599</u> | <u>\$ 31,969</u> | <u>\$ 21,290</u> | <u>\$ 3,674,905</u> | <u>\$ 4,232,329</u> |
| Total Liabilities and Fund Balances | <u>\$ 24,731</u> | <u>\$ 136,848</u> | <u>\$ 150,246</u> | <u>\$ 21,847</u> | <u>\$ 36,166</u> | <u>\$ 178,914</u> | <u>\$ 31,969</u> | <u>\$ 21,290</u> | <u>\$ 3,674,905</u> | <u>\$ 4,276,916</u> |

-44-
TERRY COUNTY, TEXAS

Exhibit C-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Library Fund | Law Library Fund | Juvenile Office Fund | Juvenile Fund | Juror's Fund | Terry County Airport Maintenance Fund | Check Collection Fund | County Attorney Forfeiture Fund | Non-Major Special Revenue Funds (See Exhibit C-6) | Total Non-Major Special Revenue Funds (See Exhibit C-2) |
|--|--------------------|------------------------|----------------------------|-------------------|-------------------|---|-----------------------------|--|---|--|
| Revenue: | | | | | | | | | | |
| Intergovernmental Revenue and Grants | \$ 7,716 | \$ 8,616 | \$ 30,000 | \$ 191,775 | \$ 1,632 | \$ 60,722 | \$ | \$ | \$ | \$ 300,461 |
| Charges for Services | | | | | | 69,199 | | | | 69,199 |
| Fines and Fees | | 5,100 | 1,459 | | | | 530 | 4,749 | 68,787 | 80,625 |
| Investment Earnings | 977 | 2,465 | 2,054 | 235 | 885 | 2,288 | 652 | 430 | 12,249 | 22,235 |
| Rents and Royalties | | | | | | 20,860 | | | | 20,860 |
| Other Revenue | | | | | | 252 | | | 0 | 252 |
| Total Revenues | \$ 8,693 | \$ 16,181 | \$ 33,513 | \$ 192,010 | \$ 2,517 | \$ 153,321 | \$ 1,182 | \$ 5,179 | \$ 81,036 | \$ 493,632 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Administration | \$ | \$ | \$ | \$ | \$ 6,860 | \$ | \$ | \$ | \$ 268,845 | \$ 275,705 |
| Sheriff | | | | | | | | | 11,818 | 11,818 |
| Social Services | | | 171,906 | 183,888 | | | | | | 355,794 |
| County Attorney | | | | | | | 85 | | | 85 |
| Libraries | 199,997 | 1,749 | | | | | | | | 201,746 |
| Airport | | | | | | 179,901 | | | | 179,901 |
| Total Expenditures | \$ 199,997 | \$ 1,749 | \$ 171,906 | \$ 183,888 | \$ 6,860 | \$ 179,901 | \$ 85 | \$ 0 | \$ 280,663 | \$ 1,025,049 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (191,304) | \$ 14,432 | \$ (138,393) | \$ 8,122 | \$ (4,343) | \$ (26,580) | \$ 1,097 | \$ 5,179 | \$ (199,627) | \$ (531,417) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers In (Out) | \$ 180,000 | \$ (600) | \$ 175,000 | \$ 600 | \$ | \$ 60,000 | \$ | \$ | \$ 1,569,388 | \$ 1,984,388 |
| Total Other Financing Sources (Uses) | \$ 180,000 | \$ (600) | \$ 175,000 | \$ 600 | \$ 0 | \$ 60,000 | \$ 0 | \$ 0 | \$ 1,569,388 | \$ 1,984,388 |
| Net Change in Fund Balances | \$ (11,304) | \$ 13,832 | \$ 36,607 | \$ 8,722 | \$ (4,343) | \$ 33,420 | \$ 1,097 | \$ 5,179 | \$ 1,369,761 | \$ 1,452,971 |
| Fund Balances - Beginning | 31,708 | 98,317 | 108,556 | 2,968 | 40,503 | 145,179 | 30,872 | 16,111 | 2,305,144 | 2,779,358 |
| Fund Balances - Ending | \$ 20,404 | \$ 112,149 | \$ 145,163 | \$ 11,690 | \$ 36,160 | \$ 178,599 | \$ 31,969 | \$ 21,290 | \$ 3,674,905 | \$ 4,232,329 |

TERRY COUNTY, TEXAS

Exhibit C-5

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

| | Sheriff's Forfeiture Fund | Court Records Archive Fund | Records Preservation Fund | Records Management Fund | Records Management County Clerk Fund | Courthouse Security Fund | Court Technology Fund | Court Technology Clerks Fund | Available School Fund | Total Non-Major Special Revenue Funds (See Exhibit C-3) |
|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------|--|--------------------------------|-----------------------------|---------------------------------------|-----------------------------|--|
| ASSETS: | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 15,532 | \$ 211,690 | \$ 16,722 | \$ 59,792 | \$ 180,751 | \$ 26,286 | \$ 52,244 | \$ 16,639 | \$ 406 | \$ 580,062 |
| Due from Other Funds | | | | | | | | | 3,091,552 | 3,091,552 |
| Prepaid Items | | | | | | 3,291 | | | | 3,291 |
| Total Assets | <u>\$ 15,532</u> | <u>\$ 211,690</u> | <u>\$ 16,722</u> | <u>\$ 59,792</u> | <u>\$ 180,751</u> | <u>\$ 29,577</u> | <u>\$ 52,244</u> | <u>\$ 16,639</u> | <u>\$ 3,091,958</u> | <u>\$ 3,674,905</u> |
| FUND BALANCES: | | | | | | | | | | |
| Non-Spendable - Prepays | \$ | \$ | \$ | \$ | \$ | \$ 3,291 | \$ | \$ | \$ | \$ 3,291 |
| Restricted for Enabling Legislation | 15,532 | 211,690 | 16,722 | 59,792 | 180,751 | 26,286 | 52,244 | 16,639 | 406 | 580,062 |
| Restricted for County Schools | | | | | | | | | 3,091,552 | 3,091,552 |
| Total Fund Balances | <u>\$ 15,532</u> | <u>\$ 211,690</u> | <u>\$ 16,722</u> | <u>\$ 59,792</u> | <u>\$ 180,751</u> | <u>\$ 29,577</u> | <u>\$ 52,244</u> | <u>\$ 16,639</u> | <u>\$ 3,091,958</u> | <u>\$ 3,674,905</u> |
| Total Liabilities and Fund Balances | <u>\$ 15,532</u> | <u>\$ 211,690</u> | <u>\$ 16,722</u> | <u>\$ 59,792</u> | <u>\$ 180,751</u> | <u>\$ 29,577</u> | <u>\$ 52,244</u> | <u>\$ 16,639</u> | <u>\$ 3,091,958</u> | <u>\$ 3,674,905</u> |

TERRY COUNTY, TEXAS

Exhibit C-6

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

| | Sheriff's Forfeiture Fund | Court Records Archive Fund | Records Preservation Fund | Records Management Fund | Records Management County Clerk Fund | Courthouse Security Fund | Court Technology Fund | Court Technology Clerks Fund | Available School Fund | Total Non-Major Special Revenue Funds (See Exhibit C-3) |
|---|---------------------------|----------------------------|---------------------------|-------------------------|--------------------------------------|--------------------------|-----------------------|------------------------------|-----------------------|---|
| Revenue: | | | | | | | | | | |
| Fines and Fees | \$ | \$ 24,920 | \$ 1,360 | \$ 20,068 | \$ 7,930 | \$ 8,414 | \$ 4,820 | \$ 1,275 | \$ | \$ 68,787 |
| Investment Earnings | 353 | 4,342 | 336 | 924 | 4,015 | 713 | 1,077 | 302 | 187 | 12,249 |
| Other Revenue | | | | | | | | | | 0 |
| Total Revenues | \$ 353 | \$ 29,262 | \$ 1,696 | \$ 20,992 | \$ 11,945 | \$ 9,127 | \$ 5,897 | \$ 1,577 | \$ 187 | \$ 81,036 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Administration | \$ 4,728 | \$ | \$ | \$ | \$ | \$ 14,894 | \$ 1,029 | \$ | \$ 248,194 | \$ 268,845 |
| Sheriff | 11,818 | | | | | | | | | 11,818 |
| Total Expenditures | \$ 16,546 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 14,894 | \$ 1,029 | \$ 0 | \$ 248,194 | \$ 280,663 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (16,193) | \$ 29,262 | \$ 1,696 | \$ 20,992 | \$ 11,945 | \$ (5,767) | \$ 4,868 | \$ 1,577 | \$ (248,007) | \$ (199,627) |
| Other Financing Sources: | | | | | | | | | | |
| Transfers In | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 1,569,388 | \$ 1,569,388 |
| Total Other Financing Sources | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,569,388 | \$ 1,569,388 |
| Net Change in Fund Balances | \$ (16,193) | \$ 29,262 | \$ 1,696 | \$ 20,992 | \$ 11,945 | \$ (5,767) | \$ 4,868 | \$ 1,577 | \$ 1,321,381 | \$ 1,369,761 |
| Fund Balances - Beginning | 31,725 | 182,428 | 15,026 | 38,800 | 168,806 | 35,344 | 47,376 | 15,062 | 1,770,577 | 2,305,144 |
| Fund Balances - Ending | \$ 15,532 | \$ 211,690 | \$ 16,722 | \$ 59,792 | \$ 180,751 | \$ 29,577 | \$ 52,244 | \$ 16,639 | \$ 3,091,958 | \$ 3,674,905 |

OTHER INFORMATION REQUIRED BY GAO

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

To the Honorable Judge and
Members of the Commissioners' Court of
Terry 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 Terry County, Texas (the County) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 21, 2020