

HEMPHILL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2020**

HEMPHILL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020

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PART I

INTRODUCTORY SECTION

HEMPHILL COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2020

George Briant	County Judge
Dawn Webb	Commissioner, Precinct #1
Tim Alexander	Commissioner, Precinct #2
Curt McPherson	Commissioner, Precinct #3
Nicholas Thomas	Commissioner, Precinct #4
Steven Emmert	Judge, 31 st Judicial District
Franklin McDonough	District Attorney
Lisa Johnson	District/County Clerk
Kyle Miller	County Attorney
Chris Jackson	County Tax Assessor/Collector
Kay Smallwood	County Treasurer
Brent Clapp	County Sheriff
Larry Dunnam	Justice of the Peace

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Hemphill County, Texas

INDEPENDENT AUDITORS' REPORT

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 Hemphill County, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Hemphill County, Texas'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.

Auditors' 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. 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 Hemphill County, Texas, as of September 30, 2020, and the respective changes in financial position, thereof 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 budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 30 – 34 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Information

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

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
November 25, 2020

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BASIC FINANCIAL STATEMENTS

**HEMPHILL COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities
ASSETS	
Cash	\$ 23,010,413
Accounts receivable, net	78,290
Delinquent taxes receivable, net	143,052
Prepaid expenses	125,465
Investment in real estate	40,719
Deposits	50,000
Net pension asset	4,008,768
Capital assets, net of accumulated depreciation	18,133,105
Total assets	45,589,812
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	222,279
Pension economic/demographic losses	23,974
Pension assumption changes	63,996
Total deferred outflows of resources	310,249
LIABILITIES	
Accounts payable	153,784
Noncurrent liabilities:	
Due within one year	10,200
Due in more than one year	91,470
Total liabilities	255,454
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	165,314
Pension excess earnings	552,937
Total deferred inflows of resources	718,251
NET POSITION	
Net investment in capital assets	18,133,105
Restricted:	
By enabling legislation for special projects	207,593
Unrestricted	26,585,658
Total net position	\$ 44,926,356

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental Activities:					
General government	\$ 1,599,917	\$ 120,791	\$ 37,632	\$ -	\$ (1,441,494)
Judicial	419,355	137,371	23,333	-	(258,651)
Public facilities	2,605,663	95,694	4,777	-	(2,505,192)
Public safety	1,777,452	4,681	469,621	-	(1,303,150)
Road and bridge	2,391,976	282,541	18,481	-	(2,090,954)
Public service	232,026	3,600	-	-	(228,426)
Interest on long-term debt	937	-	-	-	(937)
Total	\$ 9,027,326	\$ 644,678	\$ 553,844	\$ -	(7,828,804)
General revenues:					
Property taxes, levied for general purposes					4,998,101
Property taxes, levied for road and bridge					1,699,504
Payments in lieu of taxes					293,410
Investment earnings					282,468
Miscellaneous					113,521
Gain on sale of capital assets					77,500
Total general revenues					7,464,504
Change in net position					(364,300)
Net position - beginning					45,290,656
Net position - ending					\$ 44,926,356

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

**HEMPHILL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General	Road and Bridge	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,669,875	\$ 4,782,808	\$ 557,730	\$ 23,010,413
Accounts receivable, net	77,247	-	1,043	78,290
Taxes receivable, net	106,657	36,395	-	143,052
Prepaid expenditures	112,678	4,202	8,585	125,465
Investment in real estate	40,719	-	-	40,719
Deposits	-	-	50,000	50,000
	<u>\$ 18,007,176</u>	<u>\$ 4,823,405</u>	<u>\$ 617,358</u>	<u>\$ 23,447,939</u>
LIABILITIES				
Accounts payable	\$ 120,875	\$ 23,999	\$ 8,910	\$ 153,784
	<u>120,875</u>	<u>23,999</u>	<u>8,910</u>	<u>153,784</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	99,139	33,847	-	132,986
Unavailable revenue - other receivables	62,544	-	-	62,544
	<u>161,683</u>	<u>33,847</u>	<u>-</u>	<u>195,530</u>
FUND BALANCES				
Non-spendable:				
Prepaid expenditures	112,678	4,202	8,585	125,465
Restricted:				
By enabling legislation for special projects	-	-	208,843	208,843
Committed for:				
Road and bridge operation	-	4,761,357	-	4,761,357
Juvenile probation department	218,568	-	-	218,568
Airport operation	-	-	391,020	391,020
Unassigned	17,393,372	-	-	17,393,372
	<u>17,724,618</u>	<u>4,765,559</u>	<u>608,448</u>	<u>23,098,625</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,007,176</u>	<u>\$ 4,823,405</u>	<u>\$ 617,358</u>	<u>\$ 23,447,939</u>

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

HEMPHILL COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total fund balance - governmental funds	\$	23,098,625
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		18,133,105
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Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.		195,530
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The net pension asset is not a current financial resource and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		4,008,768
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Pension losses, deficient earnings and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		23,974
Pension assumption changes		63,996

Pension contributions paid after the measurement date, December 31, 2019, and before September 30, 2020 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		222,279
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Pension gains and excess earnings are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(165,314)
Pension excess earnings		(552,937)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued compensated absences		(101,670)

Net position - governmental activities	\$	44,926,356
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 4,938,777	\$ 1,679,065	\$ -	\$ 6,617,842
Payments in lieu of taxes	293,410	-	-	293,410
Licenses and fees	167,636	282,541	77,098	527,275
Fines and forfeitures	96,977	-	-	96,977
Intergovernmental	530,587	18,481	960	550,028
Investment earnings	202,072	76,561	3,835	282,468
Miscellaneous	69,107	40,833	7,397	117,337
	<u>6,298,566</u>	<u>2,097,481</u>	<u>89,290</u>	<u>8,485,337</u>
EXPENDITURES				
Current:				
General government	1,591,546	-	14,858	1,606,404
Judicial	425,634	-	6,114	431,748
Public facilities	1,713,567	-	134,645	1,848,212
Public safety	1,407,245	-	27,772	1,435,017
Road and bridge	121,714	1,535,827	-	1,657,541
Public service	235,309	-	-	235,309
Debt service:				
Principal	4,911	-	-	4,911
Interest	938	-	-	938
Capital outlay	127,503	693,368	-	820,871
	<u>5,628,367</u>	<u>2,229,195</u>	<u>183,389</u>	<u>8,040,951</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>670,199</u>	<u>(131,714)</u>	<u>(94,099)</u>	<u>444,386</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	84,000	84,000
Transfers out	(84,000)	-	-	(84,000)
	<u>(84,000)</u>	<u>-</u>	<u>84,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	586,199	(131,714)	(10,099)	444,386
FUND BALANCES - BEGINNING	<u>17,138,419</u>	<u>4,897,273</u>	<u>618,547</u>	<u>22,654,239</u>
FUND BALANCES - ENDING	<u>\$ 17,724,618</u>	<u>\$ 4,765,559</u>	<u>\$ 608,448</u>	<u>\$ 23,098,625</u>

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

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

Net change in fund balances - total governmental funds: \$ 444,386

Amounts reported for Governmental Activities in the Statement of Activities are different

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$820,871, were exceeded by depreciation, \$1,964,806, in the current period. (1,143,935)

The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. 77,500

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue. 100,189

In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Principal repayments:
Capital lease financing 4,911

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences, net change	4,926
Deferred outflows of resources:	
Pension contributions, net change	7,913
Pension economic/demographic losses, net change	23,974
Pension deficient earnings, net change	(1,231,154)
Pension changes in assumptions, net change	(31,998)
Deferred inflows of resources:	
Pension economic/demographic gains, net change	106,270
Pension excess earnings, net change	(552,937)
Net pension asset, net change	1,825,655
	1,825,655

Change in net position - governmental activities \$ (364,300)

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

HEMPHILL COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

ASSETS		
Cash and cash equivalents		\$ <u>725,417</u>
Total assets		\$ <u><u>725,417</u></u>
LIABILITIES		
Accounts payable		\$ 285,751
Due to other governments		84,382
Deposits		<u>355,284</u>
Total liabilities		\$ <u><u>725,417</u></u>

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

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hemphill County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1876, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioner’s Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support. The County has no business-like activities.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Government-Wide Statements – Continuation

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus. The agency funds are custodial in nature and involve no measurement of results of operations.

The accounts of the County are organized and operated 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, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property and other taxes, licenses and fees, intergovernmental revenues and investment earnings. Primary expenditures are for administrative, judicial, public facilities, public safety, road and bridge, public service, debt service, and capital acquisition.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

The **Road and Bridge Fund** is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

The **Agency Funds** account for assets received by the governmental unit in its capacity as trustee or agent for the County, other governmental entities, or individuals. The receipts and disbursements of such funds are governed by the terms of the statutes, ordinances, regulations or other authority.

C. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management has established and reported appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Amounts due from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Charges for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$929,760.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections during the months of October through December are entitled to discounts offered by the County. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years’ levies are shown net of an allowance for uncollectible accounts of \$440,582.

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, preservation, and restoration of public records, establishment and maintenance of the law library, personnel and security for the courthouse, technology requirements for the justice court, enhancement of the county attorney operations with fees from processing dishonored and forged checks, maintenance of the commissary in the Sheriff’s Department, administration of pre-trial diversion programs, training to increase the ethical standards and education of law enforcement officers, funding to pay correctional officers for incarcerating undocumented criminals, and enhancement of the Sheriff operations through the seizure of confiscated assets. All restrictions are enacted according to Texas statutes.)

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of non-spendable fund balance which indicates they do not represent “available spendable resources”.

6. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The County has opted to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). According to the County’s capitalization policy, capital assets are defined as individual assets (or systems of assets) having a cost of \$5,000 or more, and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	7 - 30 years
Machinery and equipment	3 - 20 years
Infrastructure	7 - 30 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County’s pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the changes in the County’s net pension liability and are reported in the government-wide statement of net position.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

8. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

The County provides compensated vacation leave for all full-time regular employees. Employees earn the vacation leave on a per month basis of employment and earn greater amounts for longer term employment with the County. The maximum amount of unused vacation an employee is allowed to have at one time is the amount the employee would normally earn in one year at that employee's current accrued rate plus five additional work-days. Employees are not allowed to receive pay for vacation in lieu of taking time off except upon termination of employment with the County. Accrued compensated vacation time is accrued in the government-wide financial statements.

10. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

10. Fund Balances – Continuation

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the Commissioners’ Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners’ Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – this classification represents 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.

11. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

12. Fund Balance Policies

When the County incurs an expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners’ Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and Special Revenue Funds.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund and Road and Bridge Special Revenue Fund.
5. Budgets for the General Fund and Road and Bridge Special Revenue Fund are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

**HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2020:

Cash and deposit balances consist of:

Petty cash funds	\$ 1,362
Bank deposits	23,734,468
	23,734,468
Total	\$ 23,735,830
	23,735,830

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:	
Unrestricted	\$ 23,010,413
Fiduciary Funds Statement of Net Position	725,417
	725,417
Total	\$ 23,735,830
	23,735,830

Custodial credit risk – deposits. As of September 30, 2020, the carrying amount of the County's deposits with financial institutions was \$23,734,470 and the banks’ balance was \$23,785,237. Of the bank balance, \$810,354 was insured through the Federal Depository Insurance Corporation (FDIC) and \$22,974,883 was collateralized with letters of credit held by the pledging institution’s agent in the County’s name.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single insurer. As of September 30, 2020, 100% of the County’s carrying value of cash deposited with the County’s depository banks and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$0.80 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$0.331 per \$100, which means that the County has a tax margin of \$0.469 per \$100 and could raise up to \$7,464,733 additional revenue from the 2019 assessed valuation of \$1,591,627,572 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$0.30 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$0.1123 per \$100, which means that the County has a tax margin of \$0.1877 per \$100 and could raise up to \$2,992,229 additional revenue from the 2019 assessed valuation of \$1,594,154,802 before the limit is reached.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – PROPERTY TAX – Continuation

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received in October through December are entitled to discounts offered by the County. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted to report its infrastructure retroactively.

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

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 356,313	\$ 5,000	\$ -	\$ 361,313
Total capital assets, not being depreciated	356,313	5,000	-	361,313
Capital assets, being depreciated				
Buildings and improvements	22,318,088	21,571	-	22,339,659
Machinery and equipment	11,008,507	871,800	(224,871)	11,655,436
Infrastructure	6,427,444	-	-	6,427,444
Total capital assets, being depreciated	39,754,039	893,371	(224,871)	40,422,539
Less accumulated depreciation for:				
Buildings and improvements	(8,538,771)	(958,151)	-	(9,496,922)
Machinery and equipment	(8,569,055)	(823,673)	224,871	(9,167,857)
Infrastructure	(3,802,986)	(182,982)	-	(3,985,968)
Total accumulated depreciation	(20,910,812)	(1,964,806)	224,871	(22,650,747)
Total capital assets, being depreciated, net	18,843,227	(1,071,435)	-	17,771,792
Governmental activities capital assets, net	<u>\$ 19,199,540</u>	<u>\$ (1,066,435)</u>	<u>\$ -</u>	<u>\$ 18,133,105</u>

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2020 was charged to the functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 30,056
Public safety	384,130
Public facilities	782,935
Road and bridge	<u>767,685</u>
Total Depreciation expense	<u>\$ 1,964,806</u>

NOTE 6 – RETIREMENT PLAN

Plan Description: Hemphill County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at www.tcdrs.org.

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

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 County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms: At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	72
Active employees	63

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

Contributions: The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 0.94% plus an additional 9.06% for the months of the accounting year in 2019 and the actuarially determined rate of 0.56% plus an additional 9.44% for the months of the accounting year in 2020. The contribution rate payable by the employee members is 7.0% for fiscal year 2020 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board Meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 16,991,747	\$ 19,174,860	\$ (2,183,113)
Changes for the year:			
Service cost	384,980	-	384,980
Interest on total pension liability (1)	1,367,085	-	1,367,085
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	31,965	-	31,965
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(29,137)	(29,137)	-
Benefit payments	(988,958)	(988,958)	-
Administrative expenses	-	(16,587)	16,587
Member contributions	-	202,518	(202,518)
Net investment income	-	3,149,429	(3,149,429)
Employer contributions	-	289,311	(289,311)
Other (3)	-	(14,986)	14,986
Balances as of December 31, 2019	<u>\$ 17,757,682</u>	<u>\$ 21,766,450</u>	<u>\$ (4,008,768)</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 19,664,967	\$ 17,757,682	\$ 16,123,785
Fiduciary net position	<u>21,766,450</u>	<u>21,766,450</u>	<u>21,766,450</u>
Net pension liability / (asset)	<u>\$ (2,101,483)</u>	<u>\$ (4,008,768)</u>	<u>\$ (5,642,665)</u>

Continued

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2019 to December 31, 2019
Service cost	\$ 384,980
Interest on total pension liability (1)	1,367,085
Effect of plan changes	-
Administrative expenses	16,587
Member contributions	(202,518)
Expected investment return net of investment expenses	(1,531,012)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(98,279)
Recognition of assumption changes or inputs	31,998
Recognition of investment gains or losses	165,673
Other (2)	14,986
Pension expense / (income)	\$ 149,500

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows / Outflows of Resources: As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual experience	\$ 165,314	\$	23,974
Changes of assumptions	-		63,996
Net difference between projected and actual earnings	552,937		-
Contributions made subsequent to measurement date	N/A		222,279

Continued

**HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 6 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (179,162)
2021	(209,390)
2022	81,953
2023	(323,682)
2024	-
Thereafter	-

NOTE 7 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Hemphill County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Hemphill County, Texas contributions to the GTLF for the years ended September 30, 2020, 2019 and 2018, were \$6,761, \$6,633, and \$7,585, respectively, which equaled the contractually required contributions each year.

NOTE 8 – CONCENTRATION OF TAXPAYERS

As of September 30, 2020, the following taxpayers accounted for a significant portion of the County's total tax levy.

Taxpayer	Industry	Taxes	Percent of Total Levy
Taxpayer A	Oil & Gas	\$ 858,611	12.16 %
Taxpayer B	Oil & Gas	477,004	6.76
Taxpayer C	Oil & Gas	436,593	6.19
Taxpayer D	Oil & Gas	374,748	5.31
Taxpayer E	Oil & Gas	374,488	5.31

HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 9 – TAX ABATEMENTS

During the year ended September 30, 2013, Hemphill County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Hemphill County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 70 megawatts and an anticipated addition of \$1,000,000 of eligible property to the tax roll. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$2,600 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$293,410.

For the fiscal year ended September 30, 2020, Hemphill County abated property taxes totaling \$201,733 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to Miami Wind I, LLC, and the abatement amounted to \$256,369.

NOTE 10 – INTERFUND TRANSFERS

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ -	\$ 84,000
Special Revenue:		
Airport	70,000	-
County Records Preservation	11,000	-
Justice Court Technology Fund	3,000	-
	<u>\$ 84,000</u>	<u>\$ 84,000</u>

Transfers are primarily used to take unrestricted revenues in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 – LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 4,911	\$ -	\$ (4,911)	\$ -	\$ -
Compensated absences	106,595	123,239	(128,164)	101,670	10,200
Governmental activity long-term liabilities	<u>\$ 111,506</u>	<u>\$ 123,239</u>	<u>\$ (133,075)</u>	<u>\$ 101,670</u>	<u>\$ 10,200</u>

The County incurred interest expense of \$937 during the fiscal year ended September 30, 2020.

**HEMPHILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 – LEASES

Operating Leases

The County has entered into an agreement to lease land from private owners for the purpose of erecting and maintaining a communication tower. Total costs for this lease was \$2,645 for the year ended September 30, 2020. The County has also entered into an agreement to lease copy machines for the various offices within the County from Ricoh. Total cost for this lease was \$7,494 for the year ended September 30, 2020. The future minimum lease payments for the aforementioned leases are as follows:

For Year Ended:		
2021	\$	13,886
2022		6,789
2023		3,042
2024		3,042
2025		3,042
2026 - 2030		17,034
2031 - 2035		19,589
2036 - 2040		4,023
 Total Future Minimum Payments	\$	70,447

NOTE 13 – RISK MANAGEMENT

The County’s major areas of risk management are public officials’, law enforcement, and automobile liability, general comprehensive liability and property damage, workers’ compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

NOTE 14 – PROBATION DEPARTMENT

Community Supervision and Corrections (Adult Probation)

The 31st District CSCD is a joint venture between Wheeler, Lipscomb, Hemphill and Roberts Counties. The County’s local funding to this department for the year ended September 30, 2020 was \$3,248. There is not an issued audit opinion on the restitution, probation fees, or any county funding.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 4,908,600	\$ 4,908,600	\$ 4,938,777	\$ 30,177
Payments in lieu of taxes	293,410	293,410	293,410	-
Licenses and fees	152,500	152,500	167,636	15,136
Fines and forfeitures	108,000	108,000	96,977	(11,023)
Intergovernmental	518,108	518,108	530,587	12,479
Investment earnings	400,000	400,000	202,072	(197,928)
Miscellaneous	77,600	84,600	69,107	(15,493)
	<u>6,458,218</u>	<u>6,465,218</u>	<u>6,298,566</u>	<u>(166,652)</u>
EXPENDITURES				
Current:				
General government				
General assistance	826,000	810,166	551,837	258,329
County and District Clerk	298,423	298,573	287,812	10,761
County Treasurer	144,373	144,373	139,410	4,963
County Tax Assessor/Collector	330,483	338,788	314,607	24,181
County Judge	315,196	315,196	297,880	17,316
	<u>1,914,475</u>	<u>1,907,096</u>	<u>1,591,546</u>	<u>315,550</u>
Judicial				
General assistance	76,500	76,500	35,185	41,315
Jury and election	65,100	65,100	38,912	26,188
District court	94,566	94,566	70,048	24,518
County Attorney	160,274	160,274	146,488	13,786
Justice of the Peace	137,792	137,792	135,001	2,791
	<u>534,232</u>	<u>534,232</u>	<u>425,634</u>	<u>108,598</u>
Public facilities				
Museum, golf, rodeo, historical	59,000	59,000	57,553	1,447
Jail operations	538,956	545,956	501,107	44,849
Facilities, landfill	802,000	802,000	642,090	159,910
Cemetery	68,400	68,400	58,863	9,537
Complex	212,906	212,906	191,275	21,631
Library	287,016	287,016	262,679	24,337
	<u>1,968,278</u>	<u>1,975,278</u>	<u>1,713,567</u>	<u>261,711</u>

Continued

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

Continuation	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
Current:				
Public safety				
General assistance	\$ 78,000	\$ 78,000	\$ 72,845	\$ 5,155
Juvenile Probation Department *	289,575	289,575	300,374	(10,799)
Local juvenile probation	76,013	76,013	75,596	417
Canadian fire department	151,500	115,500	85,635	29,865
County Sheriff	925,857	925,857	872,795	53,062
Total public safety	<u>1,520,945</u>	<u>1,484,945</u>	<u>1,407,245</u>	<u>77,700</u>
Road and bridge				
Maintenance	<u>100,000</u>	<u>122,000</u>	<u>121,714</u>	<u>286</u>
Total road and bridge	<u>100,000</u>	<u>122,000</u>	<u>121,714</u>	<u>286</u>
Public service				
General assistance	87,600	87,600	66,471	21,129
Extension services	186,187	186,187	168,838	17,349
Total public services	<u>273,787</u>	<u>273,787</u>	<u>235,309</u>	<u>38,478</u>
Debt service:				
Principal	-	5,000	4,911	89
Interest	-	1,000	938	62
Total debt service	<u>-</u>	<u>6,000</u>	<u>5,849</u>	<u>151</u>
Capital outlay	<u>381,500</u>	<u>409,045</u>	<u>127,503</u>	<u>281,542</u>
Total expenditures	<u>6,693,217</u>	<u>6,712,383</u>	<u>5,628,367</u>	<u>1,084,016</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(234,999)</u>	<u>(247,165)</u>	<u>670,199</u>	<u>917,364</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	356,484	356,484	-	(356,484)
Transfers out	<u>(70,000)</u>	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Total other financing sources / (uses)	<u>286,484</u>	<u>272,484</u>	<u>(84,000)</u>	<u>(356,484)</u>
NET CHANGE IN FUND BALANCE	51,485	25,319	586,199	560,880
FUND BALANCE - BEGINNING	<u>17,138,419</u>	<u>17,138,419</u>	<u>17,138,419</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 17,189,904</u>	<u>\$ 17,163,738</u>	<u>\$ 17,724,618</u>	<u>\$ 560,880</u>

* - This department is budgeted on an August 31 year end based on the requirements of the State. The actual amounts are based on the September 30 year end of Hemphill County.

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HEMPHILL COUNTY, TEXAS
ROAD AND BRIDGE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,664,000	\$ 1,664,000	\$ 1,679,065	\$ 15,065
Licenses and fees	241,000	241,000	282,541	41,541
Intergovernmental	24,830	24,830	18,481	(6,349)
Investment earnings	87,000	87,000	76,561	(10,439)
Miscellaneous	21,300	21,300	40,833	19,533
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,038,130	2,038,130	2,097,481	59,351
EXPENDITURES				
Current:				
Road and bridge				
Precinct 1	356,024	356,024	302,149	53,875
Precinct 2	330,134	330,134	297,555	32,579
Precinct 3	685,699	685,699	539,904	145,795
Precinct 4	520,804	520,804	396,219	124,585
	<hr/>	<hr/>	<hr/>	<hr/>
Total road and bridge	1,892,661	1,892,661	1,535,827	356,834
Capital outlay				
Precinct 1	49,280	49,280	-	49,280
Precinct 2	36,116	261,116	255,700	5,416
Precinct 3	160,931	160,931	65,168	95,763
Precinct 4	373,200	373,200	372,500	700
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital outlay	619,527	844,527	693,368	151,159
Total expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	2,512,188	2,737,188	2,229,195	507,993
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<hr/>	<hr/>	<hr/>	<hr/>
	(474,058)	(699,058)	(131,714)	567,344
OTHER FINANCING SOURCES				
Transfers in	474,058	699,058	-	(699,058)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	474,058	699,058	-	(699,058)
NET CHANGE IN FUND BALANCE				
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(131,714)	(131,714)
FUND BALANCE - BEGINNING				
	<hr/>	<hr/>	<hr/>	<hr/>
	4,897,273	4,897,273	4,897,273	-
FUND BALANCE - ENDING				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 4,897,273	\$ 4,897,273	\$ 4,765,559	\$ (131,714)

HEMPHILL COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability:				
Service cost	\$ 384,980	384,859	\$ 360,652	\$ 438,948
Interest on total pension liability (1)	1,367,085	1,326,464	1,283,776	1,229,294
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	159,990	-
Effect of economic/demographic (gains) or losses	31,965	(187,440)	(178,985)	(94,454)
Benefit payments/refunds of contributions	(1,018,095)	(1,026,752)	(1,214,858)	(884,800)
Net change in total pension liability	765,935	497,131	410,575	688,988
Total pension liability, beginning	16,991,747	16,494,616	16,084,041	15,395,053
Total pension liability, ending (a)	<u>\$ 17,757,682</u>	<u>16,991,747</u>	<u>\$ 16,494,616</u>	<u>\$ 16,084,041</u>
Fiduciary Net Position:				
Employer contributions	\$ 289,311	288,383	\$ 276,748	\$ 1,582,316
Member contributions	202,518	201,872	193,722	203,809
Investment income net of investment expenses	3,149,429	(380,853)	2,650,305	1,190,170
Benefit payments/refunds of contributions	(1,018,095)	(1,026,752)	(1,214,858)	(884,800)
Administrative expenses	(16,587)	(15,401)	(13,381)	(12,927)
Other	(14,986)	(13,963)	(10,103)	71,838
Net change in fiduciary net position	2,591,590	(946,714)	1,882,433	2,150,406
Fiduciary net position, beginning	19,174,860	20,121,574	18,239,141	16,088,735
Fiduciary net position, ending (b)	<u>\$ 21,766,450</u>	<u>19,174,860</u>	<u>\$ 20,121,574</u>	<u>\$ 18,239,141</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (4,008,768)</u>	<u>(2,183,113)</u>	<u>\$ (3,626,958)</u>	<u>\$ (2,155,100)</u>
Fiduciary net position as a % of total pension liability	122.57%	112.85%	121.99%	113.40%
Pensionable covered payroll	\$ 2,893,116	2,883,882	\$ 2,767,455	\$ 2,911,563
Net pension liability as a % of covered payroll	-138.56%	-75.70%	-131.06%	-74.02%

Year Ended December 31,

2015	2014	2013	2012	2011	2010
\$ 425,797	\$ 401,174	\$ N/A	\$ N/A	\$ N/A	\$ N/A
1,178,050	1,131,926	N/A	N/A	N/A	N/A
(67,541)	-	N/A	N/A	N/A	N/A
173,884	-	N/A	N/A	N/A	N/A
(136,516)	(118,691)	N/A	N/A	N/A	N/A
(905,497)	(912,727)	N/A	N/A	N/A	N/A
668,177	501,682	N/A	N/A	N/A	N/A
14,726,876	14,225,194	N/A	N/A	N/A	N/A
<u>\$ 15,395,053</u>	<u>\$ 14,726,876</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 599,593	\$ 588,309	\$ N/A	\$ N/A	\$ N/A	\$ N/A
209,857	206,014	N/A	N/A	N/A	N/A
(180,148)	1,032,376	N/A	N/A	N/A	N/A
(905,497)	(912,727)	N/A	N/A	N/A	N/A
(11,641)	(12,210)	N/A	N/A	N/A	N/A
77,066	(24,841)	N/A	N/A	N/A	N/A
(210,770)	876,921	N/A	N/A	N/A	N/A
16,299,505	15,422,584	N/A	N/A	N/A	N/A
<u>\$ 16,088,735</u>	<u>\$ 16,299,505</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ (693,682)</u>	<u>\$ (1,572,629)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
104.51%	110.68%	N/A	N/A	N/A	N/A
\$ 2,997,950	\$ 2,941,563	\$ N/A	\$ N/A	\$ N/A	\$ N/A
-23.14%	-53.46%	N/A	N/A	N/A	N/A

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

Law Library – The Law Library Fund accounts a statutory fee from each civil case filed in a County or District Court that is restricted to the establishment and maintenance of a law library for the use of the judges and litigants of the County.

Security Fee – The Security Fee Fund accounts for fees collected by the County and District Clerk from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Airport – The Airport Fund accounts for funds received from outside parties as well as payments from the Canadian Chamber of Commerce for the benefit of the County Airport. The funds are committed by the Commissioners' Court for the maintenance, operation and improvement of the Airport.

County Records Preservation – The County Records Preservation Fund accounts for revenues from fees collected on criminal and civil court cases by the District and County Clerk. The revenues are to be used for specific records preservation projects in any office in the County.

Clerk Records Preservation – The Clerk Records Preservation Fund accounts for revenues from fees collected on criminal and civil court cases by the District and County Clerk. The revenues are to be used for specific records preservation projects in offices of the County and District Clerks.

Justice Court Technology Fund – The Justice Court Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

County Attorney Check Collection – The County Attorney Check Collection Fund is used to account for revenues derived from the fees assessed on the collection and processing of dishonored and forged checks. The funds can be used at the County Attorney's discretion to defray the salaries and expenses of the prosecutor's office.

LEOSE – The LEOSE Fund accounts for funds received from the State of Texas to be used to increase the ethical standards and education of law enforcement officers within the County.

SCAAP – The SCAAP Fund accounts for grant funds from the State of Texas awarded to Hemphill County. The funds are to be used to pay for correctional officer salary costs for incarcerating undocumented criminal aliens.

Sheriff Commissary – The Sheriff Commissary Fund accounts for the proceeds received by the Sheriff's office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff's Department.

Sheriff's Seizure – The Sheriff's Seizure Fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by law enforcement officers. The funds are dedicated by law to be used solely for law enforcement purposes.

Pre-Trial Diversion – The Pre-Trial Intervention Fund accounts for fees collected for application to a pre-trial intervention program. The fees support the cost to administer the program.

Clerk's Tech Fund – The Clerk's Tech Fund accounts for fees collected by all defendants convicted in the County or District Court. The fees are dedicated by law to be expended only for the costs of continuing education for county and district judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

**HEMPHILL COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>Law Library</u>	<u>Security Fee</u>	<u>Airport</u>	<u>County Records Preservation</u>	<u>Clerk Records Preservation</u>	<u>Justice Court Technology</u>	<u>County Attorney Check Collection</u>
ASSETS							
Cash and cash equivalents	\$ 14,299	\$ 76,136	\$ 348,887	\$ 5,320	\$ 8,009	\$ 3,565	\$ 13,565
Other receivables	-	-	1,043	-	-	-	-
Prepaid expenses	-	-	8,585	-	-	-	-
Deposits	-	-	50,000	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 14,299</u>	<u>\$ 76,136</u>	<u>\$ 408,515</u>	<u>\$ 5,320</u>	<u>\$ 8,009</u>	<u>\$ 3,565</u>	<u>\$ 13,565</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 8,910	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>8,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Non-spendable:							
Prepaid expenditures	-	-	8,585	-	-	-	-
Restricted:							
By enabling legislation for special projects	14,299	76,136	-	5,320	8,009	3,565	13,565
Committed for:							
Special projects	-	-	391,020	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>14,299</u>	<u>76,136</u>	<u>399,605</u>	<u>5,320</u>	<u>8,009</u>	<u>3,565</u>	<u>13,565</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 14,299</u>	<u>\$ 76,136</u>	<u>\$ 408,515</u>	<u>\$ 5,320</u>	<u>\$ 8,009</u>	<u>\$ 3,565</u>	<u>\$ 13,565</u>

Continued

**HEMPHILL COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

Continuation	<u>LEOSE</u>	<u>SCAAP</u>	<u>Sheriff Commissary</u>	<u>Sheriff's Seizure</u>	<u>Clerk's Tech Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 12,038	\$ 57,727	\$ 5,388	\$ 8,743	\$ 4,053	\$ 557,730
Other receivables	-	-	-	-	-	1,043
Prepaid expenses	-	-	-	-	-	8,585
Deposits	-	-	-	-	-	50,000
	<u>12,038</u>	<u>57,727</u>	<u>5,388</u>	<u>8,743</u>	<u>4,053</u>	<u>617,358</u>
Total assets	<u>\$ 12,038</u>	<u>\$ 57,727</u>	<u>\$ 5,388</u>	<u>\$ 8,743</u>	<u>\$ 4,053</u>	<u>\$ 617,358</u>
LIABILITIES						
Accounts payable	-	-	-	-	-	8,910
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,910</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,910</u>
FUND BALANCES						
Non-spendable:						
Prepaid expenditures	-	-	-	-	-	8,585
Restricted:						
By enabling legislation for special projects	12,038	57,727	5,388	8,743	4,053	208,843
Committed for:						
Special projects	-	-	-	-	-	391,020
	<u>12,038</u>	<u>57,727</u>	<u>5,388</u>	<u>8,743</u>	<u>4,053</u>	<u>608,448</u>
Total fund balances	<u>12,038</u>	<u>57,727</u>	<u>5,388</u>	<u>8,743</u>	<u>4,053</u>	<u>608,448</u>
Total liabilities and fund balances	<u>\$ 12,038</u>	<u>\$ 57,727</u>	<u>\$ 5,388</u>	<u>\$ 8,743</u>	<u>\$ 4,053</u>	<u>\$ 617,358</u>

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

	<u>Law Library</u>	<u>Security Fee</u>	<u>Airport</u>	<u>County Records Preservation</u>	<u>Clerk Records Preservation</u>	<u>Justice Court Technology</u>	<u>County Attorney Check Collection</u>
REVENUES							
Licenses and fees	\$ 1,435	\$ 2,143	\$ 64,425	\$ 5,129	\$ 797	\$ 861	\$ -
Intergovernmental	-	-	960	-	-	-	-
Interest	-	-	3,738	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>1,435</u>	<u>2,143</u>	<u>69,123</u>	<u>5,129</u>	<u>797</u>	<u>861</u>	<u>-</u>
EXPENDITURES							
Current:							
General government	-	-	-	14,858	-	-	-
Judicial	-	-	-	-	-	3,579	2,535
Public facilities	-	-	134,645	-	-	-	-
Public safety	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>134,645</u>	<u>14,858</u>	<u>-</u>	<u>3,579</u>	<u>2,535</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,435</u>	<u>2,143</u>	<u>(65,522)</u>	<u>(9,729)</u>	<u>797</u>	<u>(2,718)</u>	<u>(2,535)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	70,000	11,000	-	3,000	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>11,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,435	2,143	4,478	1,271	797	282	(2,535)
FUND BALANCES - BEGINNING	<u>12,864</u>	<u>73,993</u>	<u>395,127</u>	<u>4,049</u>	<u>7,212</u>	<u>3,283</u>	<u>16,100</u>
FUND BALANCES - ENDING	<u>\$ 14,299</u>	<u>\$ 76,136</u>	<u>\$ 399,605</u>	<u>\$ 5,320</u>	<u>\$ 8,009</u>	<u>\$ 3,565</u>	<u>\$ 13,565</u>

Continued

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

	<u>LEOSE</u>	<u>SCAAP</u>	<u>Sheriff Commissary</u>	<u>Sheriff's Seizure</u>	<u>Clerk's Tech Fund</u>	<u>Total Non-Major Governmental Funds</u>
Continuation						
REVENUES						
Licenses and fees	\$ 1,464	\$ -	\$ -	\$ -	844	\$ 77,098
Intergovernmental	-	-	-	-	-	960
Interest	-	-	-	97	-	3,835
Miscellaneous	-	-	7,397	-	-	7,397
	<u>1,464</u>	<u>-</u>	<u>7,397</u>	<u>97</u>	<u>844</u>	<u>89,290</u>
Total revenues						
EXPENDITURES						
Current:						
General government	-	-	-	-	-	14,858
Judicial	-	-	-	-	-	6,114
Public facilities	-	-	-	-	-	134,645
Public safety	-	21,625	6,147	-	-	27,772
	<u>-</u>	<u>21,625</u>	<u>6,147</u>	<u>-</u>	<u>-</u>	<u>183,389</u>
Total expenditures						
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,464</u>	<u>(21,625)</u>	<u>1,250</u>	<u>97</u>	<u>844</u>	<u>(94,099)</u>
OTHER FINANCING SOURCES						
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,000</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,000</u>
NET CHANGE IN FUND BALANCES	1,464	(21,625)	1,250	97	844	(10,099)
FUND BALANCES - BEGINNING	<u>10,574</u>	<u>79,352</u>	<u>4,138</u>	<u>8,646</u>	<u>3,209</u>	<u>618,547</u>
FUND BALANCES - ENDING	<u>\$ 12,038</u>	<u>\$ 57,727</u>	<u>\$ 5,388</u>	<u>\$ 8,743</u>	<u>\$ 4,053</u>	<u>\$ 608,448</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

County and District Clerk – The County and District Clerk Fund accounts for registry funds held by the County and District Clerk.

Thomas Brown Reward Fund – The Thomas Brown Reward Fund accounts for money donated to a reward fund.

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HEMPHILL COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

	<u>Tax Assessor Collector</u>	<u>County / District Clerk</u>	<u>Inmate Trust</u>	<u>Thomas Brown Reward Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 370,133	\$ 343,099	\$ 32	\$ 12,153	\$ 725,417
Total assets	<u>\$ 370,133</u>	<u>\$ 343,099</u>	<u>\$ 32</u>	<u>\$ 12,153</u>	<u>\$ 725,417</u>
LIABILITIES					
Accounts payable	\$ 285,751	\$ -	\$ -	\$ -	\$ 285,751
Due to other governments	84,382	-	-	-	84,382
Deposits	<u>-</u>	<u>343,099</u>	<u>32</u>	<u>12,153</u>	<u>355,284</u>
Total liabilities	<u>\$ 370,133</u>	<u>\$ 343,099</u>	<u>\$ 32</u>	<u>\$ 12,153</u>	<u>\$ 725,417</u>