

FREESTONE COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

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*Introductory Section*

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Freestone County, Texas  
Annual Financial Report  
For The Year Ended September 30, 2021

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*Financial Section*

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**Independent Auditor's Report**

To the Board of Trustees  
Freestone County, Texas  
118 East Commerce  
Fairfield, Texas 75840

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freestone County, Texas ("the County") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Freestone County, Texas as of September 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will Always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

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

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

## **Supplementary Information**

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

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 on our consideration of Freestone County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Freestone County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann + Co." followed by a period.

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
June 24, 2022

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Freestone County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the County's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$13,160,789 at September 30, 2021.
- During the year, the County's expenses were \$677,603 less than the \$12,915,864 generated in taxes, charges for services, operating grants and other revenues for governmental activities.
- The total cost of the County's programs was \$12,238,261.
- The general fund reported a fund balance this year of \$10,795,772.

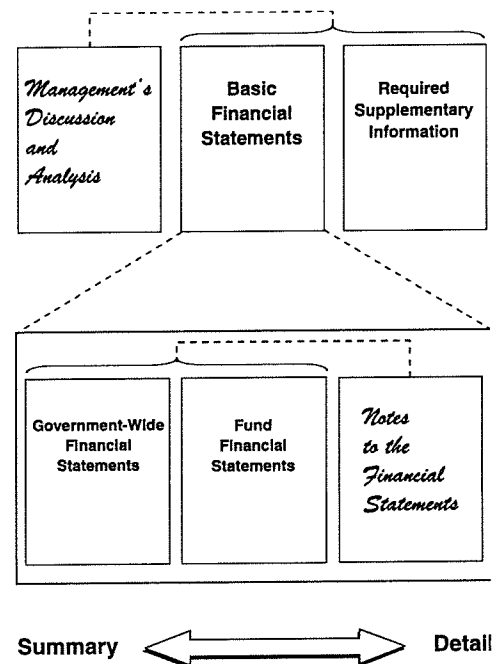
## OVERVIEW OF THE FINANCIAL STATEMENTS

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 provide information on the financing of *general government* services 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 detail. Following the statements is a section of *required supplementary information* that further explains and supports information in the financial statements. Figure A-1 shows the arrangement of the required parts of the annual report and the relationship to one another.

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



## Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and the change. Net position—the difference between the County's assets and liabilities—is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public service, public safety, public transportation, and general administration. Property taxes, charges for services and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detail information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and when applicable by bond covenants.
- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detail *short-term* view that helps management determine whether there are more or fewer financial resources available to finance the County's programs in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The County is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Net position.

The County's combined net position was \$13,160,789 at September 30, 2021. (See Table A-1). Cash and cash equivalents increased 2,536.7 thousand from the prior year. The increase was due to the receipt of 1,914.9 thousand in the American Rescue Plan federal program that was not expended before year end.

**Table A-1**  
**Freestone County's Net Position**  
*(In thousand of dollars)*

	Governmental Activities		Total Change
	2021	2020	2021-2020
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 5,712.3	\$ 3,175.6	\$ 2,536.7
Short-Term Investments	9,000.0	8,500.0	500.0
Property Taxes Receivable	888.2	1,037.8	(149.6)
Fines and Fees Receivable	1,778.2	1,830.9	(52.7)
Intergovernmental Receivables	200.9	569.4	(368.5)
Other Receivables	0.1	0.1	-
Prepaid Expenses	37.7	40.3	(2.6)
<b>Total Current Assets:</b>	<u>17,617.4</u>	<u>15,154.1</u>	<u>2,463.3</u>
<b>Non-Current Assets:</b>			
Capital Assets	16,220.3	15,731.3	489.0
Less Accumulated Depreciation	(10,923.1)	(10,642.9)	(280.2)
<b>Total Non-Current Assets</b>	<u>5,297.2</u>	<u>5,088.4</u>	<u>208.8</u>
<b>Total Assets</b>	<u>22,914.6</u>	<u>20,242.5</u>	<u>2,672.1</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows Related to Pension Contributions	644.5	654.3	(9.8)
Deferred Outflows Related to OPEB Contributions	11.0	10.4	0.6
Deferred Outflows Related to Pensions	1,110.5	61.0	1,049.5
Deferred Outflows Related to OPEB	242.8	251.1	(8.3)
<b>Total Deferred Outflows of Resources</b>	<u>2,008.8</u>	<u>976.8</u>	<u>1,032.0</u>
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	552.4	635.3	(82.9)
Due to Others	58.1	12.0	46.1
Unearned Revenue	1,914.9	-	1,914.9
Current Portion of Long-Term Liabilities	45.1	27.8	17.3
<b>Total Current Liabilities</b>	<u>2,570.5</u>	<u>675.1</u>	<u>1,895.4</u>
<b>Long-Term Liabilities:</b>			
Capital Leases	46.7	58.6	(11.9)
Compensated Absences	61.9	51.6	10.3
Net Pension Liability	3,709.5	3,598.4	111.1
Net OPEB Liability	3,851.8	3,525.2	326.6
<b>Total Long-Term Liabilities</b>	<u>7,669.9</u>	<u>7,233.8</u>	<u>436.1</u>
<b>Total Liabilities</b>	<u>10,240.4</u>	<u>7,908.9</u>	<u>2,331.5</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows Related to Pensions	1,420.9	717.8	703.1
Deferred Inflows Related to OPEB	101.3	109.4	(8.1)
<b>Total Deferred Inflows of Resources</b>	<u>1,522.2</u>	<u>827.2</u>	<u>695.0</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	5,205.5	5,002.0	203.5
Restricted	1,629.8	1,601.2	28.6
Unrestricted	6,325.5	5,880.0	445.5
<b>Total Net Position</b>	<u>\$ 13,160.8</u>	<u>\$ 12,483.2</u>	<u>\$ 677.6</u>

**Changes in net position.**

The County's total revenues were \$12,915,864. A significant portion, seventy-four (74) percent of the County's revenue comes from property tax, sixteen (16) percent comes from charges for services, while ten (10) percent relates to operating grants, intergovernmental revenue, investment earnings and other income.

The total cost of all programs and services was \$12,238,261; twenty-six (26) percent of these costs are for public safety, twenty-seven (27) percent are for public transportation, twenty-one (21) percent are for general and financial administration, thirteen (13) percent are for judicial and elections, and the remaining thirteen (13) percent are for various county services and intergovernmental county costs. (See Table A-2)

**Governmental Activities**

**Table A-2**  
Changes in Freestone County's Net Position  
(In thousand of dollars)

	Governmental Activities		Change
	2021	2020	2021-2020
Program Revenues:			
Charges for Services	\$ 2,021.8	\$ 2,164.8	\$ (143.0)
Operating Grants and Contributions	839.0	1,023.8	(184.8)
General Revenues:			
Property Taxes	9,513.3	9,543.5	(30.2)
Intergovernmental	-	-	-
Investment Earnings	282.3	275.5	6.8
Gain on Sale of Capital Assets	45.0	40.8	4.2
Other	214.5	386.9	(172.4)
Total Revenues	<u>12,915.9</u>	<u>13,435.3</u>	<u>(519.4)</u>
Program Expenses:			
General Administration	1,719.8	2,020.5	(300.7)
Financial Administration	881.6	925.3	(43.7)
Public Safety	3,182.9	3,339.9	(157.0)
Judicial and Elections	1,533.1	1,631.2	(98.1)
Health and Welfare	536.4	462.2	74.2
Public Transportation	3,258.7	3,277.8	(19.1)
Intergovernmental Expenditures	1,013.4	639.7	373.7
Waste Disposal	112.4	144.6	(32.2)
Total Expenses	<u>12,238.3</u>	<u>12,441.2</u>	<u>(202.9)</u>
Change in Net Position	<u>677.6</u>	<u>994.1</u>	<u>(316.5)</u>
Beginning Net Position	<u>12,483.2</u>	<u>11,489.1</u>	<u>994.1</u>
Beginning Net Position	<u>\$ 13,160.8</u>	<u>\$ 12,483.2</u>	<u>\$ 677.6</u>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**General Fund Budgetary Highlights**

Actual expenditures in the General Fund were \$2,365,115 less than final budget amounts. This was primarily a result of contingency expenditures budgeted but not spent. Approximately \$950,000 of contingency expenditures were budgeted due to the uncertainty of the timing of litigation expenses. Expenditures were also lower due to fewer capital expenditures and lower payroll related expenditures for public safety departments.

On the other hand, amounts available for appropriation were \$81,372 less than final budget amounts. This was primarily the result of lower intergovernmental revenues than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2021, the County had invested \$16,220,339 in a broad range of capital assets, including infrastructure, buildings and improvements, equipment, and vehicles. (See Table A-3)

**Table A-3**  
Freestone County's Capital Assets  
(In thousand of dollars)

	Governmental Activities		Change
	2021	2020	2021-2020
Capital Assets			
Land	\$ 98.7	\$ 98.7	\$ -
Construction in Progress	23.5	-	23.5
Roads and Bridges	1,735.9	1,646.4	89.5
Buildings and Improvements	7,020.9	6,932.1	88.8
Vehicles	2,084.4	2,137.7	(53.3)
Machinery and Equipment	4,081.5	4,111.7	(30.2)
Furniture and Equipment	1,175.6	804.7	370.9
Totals at Historical Cost	16,220.5	15,731.3	489.2
Total Accumulated Depreciation	(10,923.3)	(10,642.9)	(280.4)
Net Capital Assets	\$ 5,297.2	\$ 5,088.4	\$ 208.8

### Long-Term Debt

As of September 30, 2021, the County had outstanding debt as shown in Table A-4. More information about the County's debt is in the notes to the financial statements.

**Table A-4**  
Freestone County's Long-Term Debt  
(In thousand of dollars)

	Governmental Activities		Change
	2021	2020	2021-2020
Debt Payable			
Capital Leases	\$ 91.8	\$ 86.4	\$ 5.4
Compensated Absences	61.9	51.6	10.3
Net Pension Liability	3,709.5	3,598.4	111.1
Net OPEB Liability	3,851.8	3,525.2	326.6
Total Long-Term Debt	\$ 7,715.0	\$ 7,261.6	\$ 453.4

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The General Fund revenues for fiscal year 2021-2022 are expected to decrease by about \$650,000, or seven (7) percent from the prior year. Grant revenues are projected to decrease over \$700,000 while ad-valorem tax revenues are forecasted to increase \$250,000. In addition, expenditures for the General Fund are budgeted to decrease by about \$360,000, or three (3) percent from the prior year. The primary decrease in



expenditures in the budget for expenditures is less expenditures for grants and equipment. If these estimates are realized, the General Fund balance is projected to increase nearly \$300,000 for fiscal year 2021-2022.

#### **REQUEST FOR INFORMATION**

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 revenues it receives. If you have questions about this report or need additional financial information, contact the County Auditor at 118 E. Commerce, Room 209, Fairfield, Texas 75840.

*Basic Financial Statements*

**FREESTONE COUNTY, TEXAS**

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 5,712,297
Investments	9,000,000
Taxes Receivable	888,194
Accounts Receivable	100
Due from Other Governments	200,853
Fines and Fees Receivable	1,778,240
Prepaid Items	37,696
Land	98,670
Construction in Progress	23,500
Other Capital Assets, Net of Accumulated Depreciation	5,175,025
Total Assets	<u>22,914,575</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows - OPEB Contributions	11,028
Deferred Outflows - Pension Contributions	644,444
Deferred Outflows - Other Pension	1,110,519
Deferred Outflows - OPEB	242,838
Total Deferred Outflows of Resources	<u>2,008,829</u>
<b>LIABILITIES:</b>	
Accounts Payable	311,632
Due to Others	58,072
Accrued Liabilities	240,746
Unearned Revenue	1,914,898
Noncurrent Liabilities	
Due Within One Year	45,078
Due in More Than One Year	108,625
Net Pension Liability	3,709,537
Net OPEB Liability	3,851,844
Total Liabilities	<u>10,240,432</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows - Pension	1,420,878
Deferred Inflows - OPEB	101,305
Total Deferred Inflows of Resources	<u>1,522,183</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	5,205,441
Restricted For:	
Special Revenue	1,629,826
Unrestricted	6,325,522
Total Net Position	<u>\$ 13,160,789</u>

The accompanying notes are an integral part of this statement.

**FREESTONE COUNTY, TEXAS**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Administration	\$ 1,719,864	\$ 589,559	\$ 209,254	\$ (921,051)
Financial Administration	881,534	216,327	-	(665,207)
Public Safety	3,182,890	79,171	385,504	(2,718,215)
Judicial	1,533,115	141,262	57,528	(1,334,325)
Health and Welfare	536,368	13,015	147,840	(375,513)
Public Transportation	3,258,697	653,300	38,877	(2,566,520)
Intergovernmental Expenditures	1,013,387	302,209	-	(711,178)
Waste Disposal	112,406	26,945	-	(85,461)
Total Governmental Activities	<u>12,238,261</u>	<u>2,021,788</u>	<u>839,003</u>	<u>(9,377,470)</u>
Total Primary Government	<u>\$ 12,238,261</u>	<u>\$ 2,021,788</u>	<u>\$ 839,003</u>	<u>(9,377,470)</u>
General Revenues:				
Property Taxes				9,513,271
Interest and Royalty Income				282,328
Other Income				214,474
Gain/Loss on Sale of Capital Assets				45,000
Total General Revenues				<u>10,055,073</u>
Change in Net Position				677,603
Net Position - Beginning				<u>12,483,186</u>
Net Position - Ending				<u>\$ 13,160,789</u>

The accompanying notes are an integral part of this statement.

**FREESTONE COUNTY, TEXAS**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Road and Bridge Fund Precinct 1</u>	<u>Road and Bridge Fund Precinct 2</u>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,159,355	\$ 251,786	\$ 444,697
Investments	9,000,000	-	-
Taxes Receivable	662,870	56,331	56,331
Accounts Receivable	100	-	-
Due from Other Funds	500	-	-
Due from Other Governments	44,616	-	-
Prepaid Items	37,696	-	-
<b>Total Assets</b>	<u>\$ 11,905,137</u>	<u>\$ 308,117</u>	<u>\$ 501,028</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 268,101	\$ 2,648	\$ 4,538
Accrued Liabilities	178,394	10,590	10,228
Due to Other Funds	-	-	-
Due to Others	-	-	-
Unearned Revenue	-	-	-
<b>Total Liabilities</b>	<u>446,495</u>	<u>13,238</u>	<u>14,766</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows - Property Taxes	<u>662,870</u>	<u>56,331</u>	<u>56,331</u>
<b>Total Deferred Inflows of Resources</b>	<u>662,870</u>	<u>56,331</u>	<u>56,331</u>
<b>Fund Balances:</b>			
Restricted			
Special Revenue	-	238,548	429,931
Unassigned	<u>10,795,772</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>10,795,772</u>	<u>238,548</u>	<u>429,931</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 11,905,137</u>	<u>\$ 308,117</u>	<u>\$ 501,028</u>

The accompanying notes are an integral part of this statement.

Road and Bridge Fund Precinct 3	Road and Bridge Fund Precinct 4	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
\$ 166,175	\$ 263,482	\$ 1,916,147	\$ 510,655	\$ 5,712,297
-	-	-	-	9,000,000
56,331	56,331	-	-	888,194
-	-	-	-	100
-	-	-	-	500
21,397	-	-	134,840	200,853
-	-	-	-	37,696
<u>\$ 243,903</u>	<u>\$ 319,813</u>	<u>\$ 1,916,147</u>	<u>\$ 645,495</u>	<u>\$ 15,839,640</u>
\$ 19,755	\$ 14,134	\$ -	\$ 2,456	\$ 311,632
13,906	12,291	-	15,337	240,746
-	-	-	500	500
-	-	-	58,072	58,072
-	-	1,914,898	-	1,914,898
<u>33,661</u>	<u>26,425</u>	<u>1,914,898</u>	<u>76,365</u>	<u>2,525,848</u>
56,331	56,331	-	-	888,194
<u>56,331</u>	<u>56,331</u>	-	-	<u>888,194</u>
153,911	237,057	1,249	569,130	1,629,826
-	-	-	-	10,795,772
<u>153,911</u>	<u>237,057</u>	<u>1,249</u>	<u>569,130</u>	<u>12,425,598</u>
<u>\$ 243,903</u>	<u>\$ 319,813</u>	<u>\$ 1,916,147</u>	<u>\$ 645,495</u>	<u>\$ 15,839,640</u>

**FREESTONE COUNTY, TEXAS**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 12,425,598
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,297,195
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	888,194
Payables for capital leases which are not due in the current period are not reported in the funds.	(91,754)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(61,949)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,778,240
Recognition of the County's net pension liability is not reported in the funds.	(3,709,537)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,420,878)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,754,963
Recognition of the County's net OPEB liability is not reported in the funds.	(3,851,844)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(101,305)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>253,866</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 13,160,789</u>

The accompanying notes are an integral part of this statement.

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# FREESTONE COUNTY, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Road and Bridge Fund Precinct 1	Road and Bridge Fund Precinct 2
<b>Revenue:</b>			
Property Taxes	\$ 7,444,371	\$ 554,616	\$ 554,615
Intergovernmental	576,904	1,447	1,447
Charges for Services	889,451	163,325	163,325
Waste Disposal	26,945	-	-
Interest and Royalty Income	267,959	2,094	3,692
Other	475,698	1,211	17,165
<b>Total Revenues</b>	<u>9,681,328</u>	<u>722,693</u>	<u>740,244</u>
<b>Expenditures:</b>			
General Administration	1,820,696	-	-
Financial Administration	864,434	-	-
Public Safety	3,154,026	-	-
Judicial	1,406,215	-	-
Health and Welfare	427,324	-	-
Public Transportation	-	669,705	791,848
Intergovernmental Expenditures	1,047,816	-	-
Waste Disposal	137,508	-	-
<b>Total Expenditures</b>	<u>8,858,019</u>	<u>669,705</u>	<u>791,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>823,309</u>	<u>52,988</u>	<u>(51,604)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	-
Transfers Out	(64,517)	-	-
Capital Leases	-	-	-
Sale of Capital Assets	-	4,500	8,000
<b>Total Other Financing Sources (Uses)</b>	<u>(64,517)</u>	<u>4,500</u>	<u>8,000</u>
<b>Net Change in Fund Balances</b>	<u>758,792</u>	<u>57,488</u>	<u>(43,604)</u>
Fund Balances - Beginning	10,036,980	181,060	473,535
Fund Balances - Ending	<u>\$ 10,795,772</u>	<u>\$ 238,548</u>	<u>\$ 429,931</u>

The accompanying notes are an integral part of this statement.

Road and Bridge Fund Precinct 3	Road and Bridge Fund Precinct 4	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
\$ 554,615	\$ 554,615	\$ -	\$ -	\$ 9,662,832
34,536	1,447	-	208,598	824,379
163,325	163,325	-	163,592	1,706,343
-	-	-	-	26,945
2,468	3,115	1,249	1,751	282,328
262	7,275	-	68,613	570,224
<u>755,206</u>	<u>729,777</u>	<u>1,249</u>	<u>442,554</u>	<u>13,073,051</u>
-	-	-	151,682	1,972,378
-	-	-	-	864,434
-	-	-	16,905	3,170,931
-	-	-	92,294	1,498,509
-	-	-	22,559	449,883
943,915	834,230	-	-	3,239,698
-	-	-	-	1,047,816
-	-	-	-	137,508
<u>943,915</u>	<u>834,230</u>	<u>-</u>	<u>283,440</u>	<u>12,381,157</u>
<u>(188,709)</u>	<u>(104,453)</u>	<u>1,249</u>	<u>159,114</u>	<u>691,894</u>
9,717	-	-	54,800	64,517
-	-	-	-	(64,517)
50,490	-	-	-	50,490
32,500	-	-	-	45,000
<u>92,707</u>	<u>-</u>	<u>-</u>	<u>54,800</u>	<u>95,490</u>
(96,002)	(104,453)	1,249	213,914	787,384
249,913	341,510	-	355,216	11,638,214
<u>\$ 153,911</u>	<u>\$ 237,057</u>	<u>\$ 1,249</u>	<u>\$ 569,130</u>	<u>\$ 12,425,598</u>

**FREESTONE 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, 2021

Net change in fund balances - total governmental funds	\$ 787,384
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	695,978
The depreciation of capital assets used in governmental activities is not reported in the funds.	(487,170)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(149,561)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(52,627)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	45,143
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(10,347)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(50,490)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	225,424
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(326,133)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 677,603</u>

The accompanying notes are an integral part of this statement.

**FREESTONE COUNTY, TEXAS**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2021

	<u>Custodial Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,881,970
Total Assets	<u>\$ 1,881,970</u>
<b>LIABILITIES:</b>	
Due to Others	\$ 929,670
Due to Other Governments	952,300
Total Liabilities	<u>\$ 1,881,970</u>

The accompanying notes are an integral part of this statement.

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**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Significant Accounting Policies

The combined financial statements of Freestone County, Texas (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct 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 function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs 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.

Fund Financial Statements: The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

Special Revenue Fund. This governmental fund accounts for grants the County enters into with the State of Texas and the federal government.

**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

In addition, the County reports the following fund types:

Agency Fund. This fund reports other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 the 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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**FREESTONE COUNTY, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. 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. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	50
Building Improvements	5-20
Vehicles and Equipment	5-10
Office Equipment	5-7
Computer Equipment	5-7

d. Receivable and Payable Balances

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to or deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

f. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

For purposes of measuring the Retiree Health Plan total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due



**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

and payable in accordance with the benefits terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary, CapRisk Consulting Group.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners Court. Committed amounts cannot be used for any other purpose unless the Commissioners Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners Court. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the authority. 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 or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is 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.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
District Attorney Special Revenue	\$ 1,300	The County did not transfer sufficient funds for expenditures. The County will monitor the fund in the future to ensure a positive fund balance.

**C. Deposits and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities 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.

**Cash Deposits:**

At September 30, 2021, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,710,023 and the bank balance was \$15,010,077. The County's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

The County also holds funds in TexPool, a public funds investment pool. The balance at September 30, 2021 was \$300, and is classified as cash equivalents on the financial statements.

**Investments:**

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, 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 Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (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

**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investments at September 30, 2021, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rate</u>	<u>Fair Value</u>
Certificate of Deposit	11/21/2021	2.40%	\$ 1,000,000
Certificate of Deposit	11/29/2021	2.40%	500,000
Certificate of Deposit	12/17/2021	2.40%	500,000
Certificate of Deposit	05/13/2022	2.40%	1,000,000
Certificate of Deposit	05/13/2022	2.40%	500,000
Certificate of Deposit	06/14/2022	0.85%	500,000
Certificate of Deposit	07/10/2022	0.85%	1,000,000
Certificate of Deposit	01/21/2022	2.40%	1,000,000
Certificate of Deposit	01/21/2022	2.40%	500,000
Certificate of Deposit	05/21/2022	2.40%	500,000
Certificate of Deposit	05/21/2022	2.40%	500,000
Certificate of Deposit	05/21/2022	2.40%	500,000
Certificate of Deposit	05/21/2022	2.40%	1,000,000
Total Investments			<u>\$ 9,000,000</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy above.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County presently has no recurring fair value measurements.

**Analysis of Specific Deposit and Investment Risks:**

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

**a. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

**b. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

Investment Accounting Policy:

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 98,670	\$ -	\$ -	\$ 98,670
Construction in progress	-	23,500	-	23,500
Total capital assets not being depreciated	<u>98,670</u>	<u>23,500</u>	<u>-</u>	<u>122,170</u>
Capital assets being depreciated:				
Road and Bridges	1,646,396	89,455	-	1,735,851
Buildings and Improvements	6,932,081	88,831	-	7,020,912
Furniture and Equipment	804,742	370,822	-	1,175,564
Machinery and Heavy Equipment	4,111,725	90,205	120,455	4,081,475
Vehicles	2,137,683	33,165	86,481	2,084,367
Total capital assets being depreciated	<u>15,632,627</u>	<u>672,478</u>	<u>206,936</u>	<u>16,098,169</u>
Less accumulated depreciation for:				
Road and Bridges	(281,356)	(42,280)	-	(323,636)
Buildings and Improvements	(4,514,998)	(124,854)	-	(4,639,852)
Furniture and Equipment	(763,857)	(44,450)	-	(808,307)
Machinery and Heavy Equipment	(3,154,433)	(166,146)	(120,455)	(3,200,124)
Vehicles	(1,928,266)	(109,440)	(86,481)	(1,951,225)
Total accumulated depreciation	<u>(10,642,910)</u>	<u>(487,170)</u>	<u>(206,936)</u>	<u>(10,923,144)</u>
Total capital assets being depreciated, net	4,989,717	185,308	-	5,175,025
Governmental activities capital assets, net	<u>\$ 5,088,387</u>	<u>\$ 208,808</u>	<u>\$ -</u>	<u>\$ 5,297,195</u>

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Depreciation was charged to functions as follows:

General Government	\$ 149,823
Judicial	8,700
Health and Welfare	973
Public Safety	84,133
Public Transportation	231,563
Waste Disposal	3,316
Intergovernmental	8,662
	<u>\$ 487,170</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2021, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 500	Short-term loans
	Total	<u>\$ 500</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at September 30, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 64,517	Supplement other funds sources
	Total	<u>\$ 64,517</u>	

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
Capital leases	\$ 86,408	\$ 50,490	\$ 45,144	\$ 91,754	\$ 45,078
Compensated absences *	51,602	10,347	-	61,949	-
Net Pension Liability *	3,598,373	1,010,017	898,853	3,709,537	-
Net OPEB Liability *	3,525,258	385,482	58,896	3,851,844	-
Total governmental activities	<u>\$ 7,261,641</u>	<u>\$ 1,456,336</u>	<u>\$ 1,002,893</u>	<u>\$ 7,715,084</u>	<u>\$ 45,078</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General Fund
Net Pension Liability	Governmental	General Fund
Net OPEB Liability	Governmental	General Fund

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The County entered into a capital lease with Government Capital Corporation in February, 2020. The lease was for the purchase of a wheel loader, which is the security interest for the lease. The lease matures in March, 2023. The lease calls for yearly payments of \$30,954 and bears an interest rate 3.69%.

The County entered into a capital lease with Government Capital Corporation in March, 2021. The lease was for the purchase of a John Deere Skid Steer Track Loader, which is the security interest for the lease. The lease matures in March, 2023. The lease calls for yearly payments of \$17,377.94 and bears an interest rate 3.292%.

2. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2021, as follows:

<u>Year Ending 2021:</u>	
2022	\$ 48,332
2023	48,332
2024	-
Total Minimum Rentals	<u>\$ 96,664</u>
Rental Expenditures in 2021	<u>\$ 48,332</u>

The effective interest rate on capital leases is 3.690%.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2021, as follows:

<u>Year Ending September 30,</u>	
2022	\$ 98,297
Total Minimum Rentals	<u>\$ 98,297</u>
Rental Expenditures in 2021	<u>\$ 139,741</u>

H. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

1. Plan Description

The County participates in a nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), that provides pensions for all its eligible employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system

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consisting of more than 799 participating employers. 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.

All full and part-time, non-temporary employees of the County are required to participate in TCDRS.

2. Benefits Provided

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with eight or more years of service at age 60 and above, with 30 years of service at any age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight 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 employee's contribution to the plan, with interest, and employer financed monetary credits. The level of these monetary credits is adopted by the Commissioners Court 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 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.

The Plan is open to new entrants.

3. Employees covered by benefit terms:

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	153
Inactive employees entitled to but not yet receiving benefits	116
Active employees	<u>132</u>
Total covered employees	<u><u>401</u></u>

4. 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 covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed \$888,979 using the actuarially determined rate of 18.25 percent for the calendar year 2020 and 18.70 percent for calendar year 2021.

The contribution rate payable by the employee for the calendar years 2020 and 2021 was 7.0% as adopted by the Commissioners' Court. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

5. Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Payroll growth	3.00%
Real rate of return	5.00%
Long-term Investment Return	7.50%

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Updated mortality assumptions were adopted in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68. In addition, mortality rates were based on the following mortality tables.

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 numbers shown are based on April 2021 information for a 10-year time horizon. The valuation assumptions for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The current assumptions were adopted in March 2021. The assumptions for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
US Equities	11.50%	4.25%
Private Equities	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities - Developed Markets	5.00%	4.25%
International Equities - Emerging Markets	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships (MLPs)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
Total	<u>100.00%</u>	



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Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. 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. The employer is legally required to make the contribution specified in the funding policy. 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. 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 assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels 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 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 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

6. Plan Fiduciary Net Position

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 31,393,996	\$ 27,795,623	\$ 3,598,373
Changes for the year			
Service cost	581,610	-	581,610
Interest	2,512,102	-	2,512,102
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(553,813)	-	(553,813)
Effect of assumptions changes or inputs	1,644,493	-	1,644,493
Refunds of contributions	(76,127)	(76,127)	-
Benefit payments	(1,886,080)	(1,886,080)	-
Contributions - employer	-	898,853	(898,853)
Contributions - employee	-	344,761	(344,761)
Net investment income	-	2,870,006	(2,870,006)
Administrative expense	-	(21,883)	21,883
Other changes	-	(18,509)	18,509
Net changes	2,222,185	2,111,021	111,164
Balance at 12/31/2020	\$ 33,616,181	\$ 29,906,644	\$ 3,709,537

Sensitivity Analysis:

The following presents the net pension liability of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate.

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	1% Decrease in Discount Rate 6.60%	Discount Rate 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	\$ 37,347,582	\$ 33,616,181	\$ 30,435,042
Fiduciary net position	29,906,645	29,906,644	29,906,645
Net pension liability	<u>\$ 7,440,937</u>	<u>\$ 3,709,537</u>	<u>\$ 528,397</u>

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

For the fiscal year ended September 30, 2021, the County recognized pension expense of \$663,554.

At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,190	\$ 369,209
Changes in actuarial assumptions	1,096,329	-
Difference between projected and actual investment earnings	-	1,051,669
Contributions subsequent to the measurement date	644,444	-
Total	<u>\$ 1,754,963</u>	<u>\$ 1,420,878</u>

The \$644,444 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended September 30:	
2022	\$ 35,705
2023	\$ 329,528
2024	\$ (545,851)
2025	\$ (129,741)
Thereafter	\$ -

J. Other Post-Employment Benefits

Texas County and District Retirement System Group Term Life

1. Plan Description

The County participates in the Texas County and District Retirement System (TCDRS) defined benefit group-term life insurance program known as the Group Term Life (GTL). This is a voluntary program in which participating member counties may elect to provide group-term life insurance coverage for their active members, including retirees. As the GTL program covers both active and retiree participants, with no segregation of assets, the GTL fund is considered to be an unfunded OPEB plan and does not meet the definition of trust under GASB No. 75, Paragraph 4. The member county contributes to the GTL program at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one year term life insurance. The funding policy for the GTL program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

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2. Benefits Provided

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program. The OPEB benefit is a fixed \$5,000 lump sum benefit. Benefit terms are established under the TCDRS Act. Participation in the retiree plan is optional and the employer may elect to opt out (or opt into) coverage as of January 1 of each year.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	94
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>132</u>
Total covered employees	<u><u>253</u></u>

3. The County contributes to the GTL fund at a contractually required rate as determined by an annual actuarial valuation. The County's contributions equaled the required contributions each of the last two fiscal years.

	<u>2020</u>	<u>2021</u>
Active Member Contribution Rate	0.29%	0.31%
Retiree Contribution Rate	0.29%	0.32%
Fiscal year contributions for active members	\$ 13,442	\$ 14,569
Fiscal year contributions for retirees	\$ 13,781	\$ 14,914

4. Total OPEB Liability

The County's OPEB liability of \$520,185 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date, calculated based on the discount rate and actuarial assumptions.

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line amortization over Expected Working Life
Investment Rate of Return	2.12%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.

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Disabled retirees 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

5. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$ 470,572
Changes for the year:	
Service cost	15,919
Interest on total OPEB liability	13,135
Changes of benefit terms	-
Effect of economic/demographic experience	(16,957)
Effect of assumption changes or inputs	51,799
Benefit payments	(14,283)
Net changes	<u>49,613</u>
Total OPEB liability - end of year	<u>\$ 520,185</u>

6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 2.12%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	1% Decrease in Discount Rate 1.12%	Discount Rate 2.12%	1% Increase in Discount Rate 3.12%
County's total OPEB liability	\$ 623,367	\$ 520,185	\$ 440,370

7. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the County recognized OPEB expense of \$51,066. At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ 2,104	\$ 18,109
Changes in assumptions and other inputs	88,853	15,734
Contributions subsequent to the measurement date	11,028	-
Total	<u>\$ 101,985</u>	<u>\$ 33,843</u>

Contributions subsequent to the measurement date of \$11,397 reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30:	
2022	\$ 22,012
2023	21,167
2024	6,969
2025	6,966

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Thereafter -

Retiree Health Plan

1. Plan Description

The County provides medical benefits to eligible retirees when they reach Medicare eligibility. Each regular employee who has 12 years or more of continuous service as a full time Freestone County employee will be eligible for the Medicare Supplement furnished by the County when they reach age 65. If the employee is not Medicare eligible at the time of separation, but has 12 or more years of continuous service, they may continue with pre-65 retiree insurance at their expense until they become Medicare eligible.

2. Benefits Provided

The County provides medical benefits to eligible retirees when they reach Medicare eligibility. The County pays the individual Medicare supplement premium from age 65 for the life of the retiree as long as the coverage is continued.

At the September 30, 2021 valuation date, the following individuals were covered by the benefit terms:

	Single Only	Dependent Coverage
Active	79	14
Retired	11	-
Total	<u>90</u>	<u>14</u>

3. Total OPEB Liability

The County's OPEB liability of \$3,331,659 was measured as of September 30, 2021, and was determined by an actuarial valuation as of September 30, 2021, calculated based on the discount rate and actuarial assumptions.

Actuarial assumptions:

The total OPEB liability at the September 30, 2021 measurement date, and based on the September 30, 2021 actuarial valuation, was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary scale	3.50%
Mortality table	RPH-2014 Total Table with Projection MP-2019
Discount rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Disability	None assumed
Health care cost trend	Level 4.50%

Since there are no assets held in trust, the discount rate was based on the Bond Buyer GO-20 bond index. At the time of the valuation, the rate was trending down in recent months. The discount rate selected for the valuation was 2.25%.

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4. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$ 3,054,686
Changes for the year:	
Service cost	247,782
Interest on total OPEB liability	73,804
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(44,613)</u>
Net changes	276,973
Total OPEB liability - end of year	<u>\$ 3,331,659</u>

5. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 2.25%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease in Discount Rate 1.25%	Discount Rate 2.25%	1% Increase in Discount Rate 3.25%
County's total OPEB liability	\$ 3,988,862	\$ 3,331,659	\$ 2,808,674

The following presents the total OPEB liability of the County, calculated using the health care cost trend rate of 4.50%, as well as what the County's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease in Trend Rate 3.50%	Trend Rate 4.50%	1% Increase in Trend Rate 5.50%
County's total OPEB liability	\$ 2,733,381	\$ 3,331,659	\$ 4,122,998

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the County recognized OPEB expense of \$334,592. At September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ -	\$ 67,462
Changes in assumptions and other inputs	151,881	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 151,881</u>	<u>\$ 67,462</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Since the measurement is as of September 30, 2021, which is the same date as the County's fiscal year end, the County does not have any contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30:		
2022	\$	13,006
2023		13,006
2024		13,006
2025		13,006
2026		13,006
Thereafter		19,389

**K. Health Care Coverage**

During the year ended September 30, 2021, employees of the County were covered by a health insurance plan (the Plan). The County paid premiums of \$790 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third party administrator is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

**L. Commitments and Contingencies**

**1. Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the County at September 30, 2021.

**M. Tax Abatements**

The County will occasionally enter into property tax abatement agreements with local businesses under the property Tax Code, Chapter 312, cited as the Property Redevelopment and Tax Abatement Act. Under the Act, the County is eligible to establish Enterprise Zones and participate in a tax abatement. The County has established a Tax Increment Reinvestment Zone (TIRZ) program to establish guidance for the tax abatements. The tax abatements, which are meant to stimulate economic development, are applicable to commercial and/or industrial improvements on a case-by-case basis. The tax abatement only applies to the increase in the value of the property due to improvements.

For the fiscal year ended September 30, 2021, the County abated property taxes totaling \$91,268 under this program, including the following tax abatement agreement:

A ninety (90) percent property tax abatement to Sanderson Farms, Inc. on the increased value of the property resulting from the improvements over the fully appraised fair market value of the property in the year in which the agreement was executed.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

To be eligible, the property improvements must be greater than \$32,000,000, including the purchase and installation of equipment. The property owner must also employ a minimum of sixty-two (62) full-time employees (FTEs) at all times. If the covenants of the agreement are met, the County will abate property taxes on the increased value based on the following table:

<u>Levy Year</u>	<u>Fiscal Year</u>	<u>Abatement</u>
2020	2021	90%
2021	2022	85%
2022	2023	80%

The agreement ends December 31, 2022.

For the year ended September 30, 2021, this abatement amounted to \$91,268.

N. Subsequent Events

The County did not have any subsequent events through June 24, 2022, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2021.



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## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**FREESTONE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 7,187,000	\$ 7,187,000	\$ 7,444,371	\$ 257,371
Intergovernmental	953,000	953,000	576,904	(376,096)
Charges for Services	923,200	923,200	889,451	(33,749)
Waste Disposal	25,000	25,000	26,945	1,945
Interest and Royalty Income	262,500	262,500	267,959	5,459
Other	412,000	412,000	475,698	63,698
Total Revenues	<u>9,762,700</u>	<u>9,762,700</u>	<u>9,681,328</u>	<u>(81,372)</u>
Expenditures:				
General Administration	2,924,023	2,448,119	1,820,696	627,423
Financial Administration	898,141	898,142	864,434	33,708
Public Safety	3,564,116	3,701,428	3,154,026	547,402
Judicial	2,470,976	2,474,725	1,406,215	1,068,510
Health and Welfare	437,605	447,566	427,324	20,242
Intergovernmental Expenditures	751,400	1,052,959	1,047,816	5,143
Waste Disposal	186,589	200,196	137,508	62,688
Total Expenditures	<u>11,232,851</u>	<u>11,223,134</u>	<u>8,858,019</u>	<u>2,365,115</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,470,151)</u>	<u>(1,460,434)</u>	<u>823,309</u>	<u>2,283,743</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(54,800)</u>	<u>(64,517)</u>	<u>(64,517)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(54,800)</u>	<u>(64,517)</u>	<u>(64,517)</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,524,951)</u>	<u>(1,524,951)</u>	<u>758,792</u>	<u>2,283,743</u>
Fund Balances - Beginning	<u>10,036,980</u>	<u>10,036,980</u>	<u>10,036,980</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 8,512,029</u>	<u>\$ 8,512,029</u>	<u>\$ 10,795,772</u>	<u>\$ 2,283,743</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 539,000	\$ 539,000	\$ 554,616	\$ 15,616
Intergovernmental	-	-	1,447	1,447
Charges for Services	175,000	175,000	163,325	(11,675)
Interest and Royalty Income	-	-	2,094	2,094
Other	-	-	1,211	1,211
Total Revenues	<u>714,000</u>	<u>714,000</u>	<u>722,693</u>	<u>8,693</u>
Expenditures:				
Public Transportation	1,044,141	1,044,140	669,705	374,435
Total Expenditures	<u>1,044,141</u>	<u>1,044,140</u>	<u>669,705</u>	<u>374,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(330,141)</u>	<u>(330,140)</u>	<u>52,988</u>	<u>383,128</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	-	-	4,500	4,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>
Net Change in Fund Balances	(330,141)	(330,140)	57,488	387,628
Fund Balances - Beginning	181,060	181,060	181,060	-
Fund Balances - Ending	<u>\$ (149,081)</u>	<u>\$ (149,080)</u>	<u>\$ 238,548</u>	<u>\$ 387,628</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 2  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**EXHIBIT B-3**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 539,000	\$ 539,000	\$ 554,615	\$ 15,615
Intergovernmental	-	-	1,447	1,447
Charges for Services	175,000	175,000	163,325	(11,675)
Interest and Royalty Income	-	-	3,692	3,692
Other	-	-	17,165	17,165
Total Revenues	<u>714,000</u>	<u>714,000</u>	<u>740,244</u>	<u>26,244</u>
Expenditures:				
Public Transportation	1,179,809	1,179,809	791,848	387,961
Total Expenditures	<u>1,179,809</u>	<u>1,179,809</u>	<u>791,848</u>	<u>387,961</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(465,809)</u>	<u>(465,809)</u>	<u>(51,604)</u>	<u>414,205</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	-	-	8,000	8,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net Change in Fund Balances	(465,809)	(465,809)	(43,604)	422,205
Fund Balances - Beginning	473,535	473,535	473,535	-
Fund Balances - Ending	<u>\$ 7,726</u>	<u>\$ 7,726</u>	<u>\$ 429,931</u>	<u>\$ 422,205</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 3  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 539,000	\$ 539,000	\$ 554,615	\$ 15,615
Intergovernmental	-	-	34,536	34,536
Charges for Services	175,000	175,000	163,325	(11,675)
Interest and Royalty Income	3,500	3,500	2,468	(1,032)
Other	-	-	262	262
Total Revenues	<u>717,500</u>	<u>717,500</u>	<u>755,206</u>	<u>37,706</u>
Expenditures:				
Public Transportation	998,208	998,208	943,915	54,293
Total Expenditures	<u>998,208</u>	<u>998,208</u>	<u>943,915</u>	<u>54,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,708)</u>	<u>(280,708)</u>	<u>(188,709)</u>	<u>91,999</u>
Other Financing Sources (Uses):				
Transfers In	-	-	9,717	9,717
Capital Leases	-	-	50,490	50,490
Sale of Capital Assets	-	-	32,500	32,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>92,707</u>	<u>92,707</u>
Net Change in Fund Balances	(280,708)	(280,708)	(96,002)	184,706
Fund Balances - Beginning	249,913	249,913	249,913	-
Fund Balances - Ending	<u>\$ (30,795)</u>	<u>\$ (30,795)</u>	<u>\$ 153,911</u>	<u>\$ 184,706</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 4  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**EXHIBIT B-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 547,000	\$ 547,000	\$ 554,615	\$ 7,615
Intergovernmental	-	-	1,447	1,447
Charges for Services	175,000	175,000	163,325	(11,675)
Interest and Royalty Income	3,500	3,500	3,115	(385)
Other	-	-	7,275	7,275
Total Revenues	<u>725,500</u>	<u>725,500</u>	<u>729,777</u>	<u>4,277</u>
Expenditures:				
Public Transportation	1,079,380	1,079,380	834,230	245,150
Total Expenditures	<u>1,079,380</u>	<u>1,079,380</u>	<u>834,230</u>	<u>245,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(353,880)</u>	<u>(353,880)</u>	<u>(104,453)</u>	<u>249,427</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(353,880)	(353,880)	(104,453)	249,427
Fund Balances - Beginning	341,510	341,510	341,510	-
Fund Balances - Ending	<u>\$ (12,370)</u>	<u>\$ (12,370)</u>	<u>\$ 237,057</u>	<u>\$ 249,427</u>



**FREESTONE COUNTY, TEXAS**  
**AMERICAN RESCUE PLAN**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**EXHIBIT B-6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest and Royalty Income	\$ -	\$ -	\$ 1,249	\$ 1,249
Total Revenues	<u>-</u>	<u>-</u>	<u>1,249</u>	<u>1,249</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,249</u>	<u>1,249</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	1,249	1,249
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,249</u>	<u>\$ 1,249</u>

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**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Measurement Year Ended December 31,			
	2020	2019	2018	2017
Total pension liability:				
Service cost	\$ 581,610	\$ 583,156	\$ 569,220	\$ 555,270
Interest on total pension liability	2,512,102	2,421,091	2,330,562	2,232,536
Effect of plan changes	-	-	-	-
Effect of assumptions changes or inputs	1,644,493	-	-	194,621
Effect of economic/demographic (gains) or losses	(553,813)	42,568	97,856	76,147
Benefit payments, including refunds of employee contributions	(1,962,207)	(1,882,701)	(1,904,723)	(1,821,545)
Net change in total pension liability	2,222,185	1,164,114	1,092,915	1,237,029
Total pension liability - beginning	31,393,996	30,229,882	29,136,967	27,899,938
Total pension liability - ending (a)	<u>\$ 33,616,181</u>	<u>\$ 31,393,996</u>	<u>\$ 30,229,882</u>	<u>\$ 29,136,967</u>
Plan fiduciary net position:				
Contributions - employer	\$ 898,853	\$ 777,848	\$ 785,002	\$ 692,760
Contributions - employee	344,761	313,469	311,332	302,516
Net investment income	2,870,006	4,039,316	(492,172)	3,400,554
Benefit payments, including refunds of employee contributions	(1,962,207)	(1,882,701)	(1,904,723)	(1,821,545)
Administrative expense	(21,883)	(21,181)	(19,752)	(17,247)
Other	(18,509)	(23,223)	(21,479)	(11,236)
Net change in plan fiduciary net position	2,111,021	3,203,528	(1,341,792)	2,545,802
Plan fiduciary net position - beginning	27,795,623	24,592,095	25,933,887	23,388,085
Plan fiduciary net position - ending (b)	<u>29,906,644</u>	<u>27,795,623</u>	<u>24,592,095</u>	<u>25,933,887</u>
County's net pension liability - ending (a) - (b)	<u>3,709,537</u>	<u>3,598,373</u>	<u>5,637,787</u>	<u>3,203,080</u>
Plan fiduciary net position as a percentage of the total pension liability	88.97%	88.54%	81.35%	89.01%
Covered-employee payroll	\$ 4,925,153	\$ 4,478,130	\$ 4,447,607	\$ 4,321,660
County's net pension liability as a percentage of covered-employee payroll	75.32%	80.35%	126.76%	74.12%

Notes to Schedule:

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled. This schedule provides the information only for those years for which information is available.

Measurement Year Ended December 31,		
2016	2015	2014
\$ 630,023	\$ 603,276	\$ 638,281
2,139,569	2,061,482	1,966,556
-	(51,074)	-
-	303,503	-
(147,543)	(262,956)	(133,457)
<u>(1,623,708)</u>	<u>(1,537,087)</u>	<u>(1,280,027)</u>
998,341	1,117,144	1,191,353
26,901,597	25,784,453	24,593,100
<u>\$ 27,899,938</u>	<u>\$ 26,901,597</u>	<u>\$ 25,784,453</u>
\$ 702,216	\$ 661,664	\$ 667,448
304,369	300,947	302,251
1,652,724	(32,069)	1,527,575
(1,623,708)	(1,537,087)	(1,280,027)
(17,995)	(16,389)	(17,409)
(46,290)	(165,481)	(17,661)
<u>971,316</u>	<u>(788,415)</u>	<u>1,182,177</u>
22,416,769	23,205,184	22,023,007
<u>23,388,085</u>	<u>22,416,769</u>	<u>23,205,184</u>
<u>4,511,853</u>	<u>4,484,828</u>	<u>2,579,269</u>
83.83%	83.33%	90.00%
\$ 4,348,122	\$ 4,282,014	\$ 4,317,878
103.77%	104.74%	59.73%

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF COUNTY CONTRIBUTIONS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended September 30,			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 888,979	\$ 850,226	\$ 774,819	\$ 765,767
Contributions in relation to the actuarially determined contribution	(888,979)	(850,226)	(774,819)	(765,767)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,786,140	\$ 4,713,082	\$ 4,443,054	\$ 4,438,053
Contributions as a percentage of covered-employee payroll	18.57%	18.04%	17.44%	17.25%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Fiscal Year Ended Septemer 30,		
<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 687,490	\$ 659,002	\$ 667,448
(687,490)	(661,664)	(667,448)
<u>\$ -</u>	<u>\$ (2,662)</u>	<u>\$ -</u>
\$ 4,280,967	\$ 4,282,014	\$ 4,317,878
16.06%	15.39%	15.46%

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Measurement Year December 31, 2020			
	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 15,919	\$ 10,645	\$ 11,686	\$ 9,841
Interest	13,135	15,490	13,789	14,468
Effect of plan changes	-	-	-	-
Effect of economic/demographic experience	(16,957)	(4,580)	5,257	(11,269)
Effect of assumptions changes or inputs	51,799	88,635	(39,332)	15,489
Benefit payments	(14,283)	(13,434)	(13,343)	(11,236)
Other	-	-	-	-
Net change in total OPEB liability	49,613	96,756	(21,943)	17,293
Total OPEB liability - beginning	470,572	373,816	395,759	378,466
Total OPEB liability - ending	\$ 520,185	\$ 470,572	\$ 373,816	\$ 395,759
Covered-employee payroll	\$ 4,925,153	\$ 4,478,130	\$ 4,447,607	\$ 4,321,660
Total OPEB liability as a percentage of covered-employee payroll	10.56%	10.51%	8.40%	9.16%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**RETIREE HEALTH PLAN**  
**LAST TEN FISCAL YEARS \***

	Measurement Year Ended September 30,			
	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 247,782	\$ 154,979	\$ 154,979	\$ 148,932
Interest	73,804	115,549	100,296	97,711
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(88,252)	-	-
Changes of assumptions or other inputs	-	198,685	-	-
Other changes	-	-	-	-
Benefit payments	(44,613)	(34,659)	(34,487)	(33,581)
Net change in total OPEB liability	276,973	346,302	220,788	213,062
Total OPEB liability - beginning	3,054,686	2,708,384	2,487,596	2,274,534
Total OPEB liability - ending	\$ 3,331,659	\$ 3,054,686	\$ 2,708,384	\$ 2,487,596
Covered-employee payroll	\$ 3,383,066	\$ 3,383,066	\$ 2,865,188	\$ 2,865,188
Total OPEB liability as a percentage of covered-employee payroll	98.48%	90.29%	94.53%	86.82%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.



# FREESTONE COUNTY, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

### A. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioners is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioners' Court.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court and are not made after fiscal year end. During the year, the budget was amended. All budget appropriations lapse at year end.

### B. Pension

Valuation Date:

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

Methods and assumptions used to determine contributions are reported:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Inflation	2.50%
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 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.

Changes in Plan Provisions Reflected in 2017: New Annuity Purchase Rates were reflected for the Schedule of Employer Contributions benefits earned after 2017.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions 2015: New inflation, mortality and other assumptions were reflected.

2017: New mortality assumptions were reflected.

2019: New inflation, mortality and other assumptions were reflected.

C. Postemployment Benefits Other than Pension (OPEB)

1. Texas County and District Retirement System

Valuation Date:

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

Methods and assumptions used to determine contributions are reported:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line over expected working life
Investment Rate of Return	2.12%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes of Benefit Terms	There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.
Changes of Assumptions	The discount rate used changed from 2.74% to 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2020.

## 2. Retiree Health Plan

### Valuation Date:

The total OPEB liability was determined based on a valuation date of September 30, 2020 and a measurement date of September 30, 2021.

Methods and assumptions used to determine contributions are reported:

Actuarial Cost Method	Entry Age Normal - Level Percentage of Projected Salary
Inflation	2.50% per year
Salary scale	3.50%
Mortality table	RPH-2014 Total Table with Projection MP-2019
Discount rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Disability	None assumed
Health care cost trend	Level 4.50%

*Combining Statements and Budget  
Comparisons as Supplementary  
Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**FREESTONE COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2021**

	<u>Chapter 19 Voter Fund</u>	<u>County Attorney Fund</u>	<u>County Attorney Crime Victims</u>	<u>District Attorney Special Revenue</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ (217)	\$ 73,673	\$ (2,538)	\$ 3,336
Due from Other Governments	717	-	9,131	-
<b>Total Assets</b>	<u>\$ 500</u>	<u>\$ 73,673</u>	<u>\$ 6,593</u>	<u>\$ 3,336</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ 194	\$ 596	\$ 557
Accrued Liabilities	-	1,329	-	4,079
Due to Other Funds	500	-	-	-
Due to Others	-	58,072	-	-
<b>Total Liabilities</b>	<u>500</u>	<u>59,595</u>	<u>596</u>	<u>4,636</u>
<b>Deferred Inflows of Resources:</b>				
<b>Fund Balances:</b>				
Restricted				
Special Revenue	-	14,078	5,997	(1,300)
<b>Total Fund Balance</b>	<u>-</u>	<u>14,078</u>	<u>5,997</u>	<u>(1,300)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 500</u>	<u>\$ 73,673</u>	<u>\$ 6,593</u>	<u>\$ 3,336</u>

Sheriff Special Revenue	Special Budget Fund	Unclaimed Money Fund	Records Archive Fund	Courthouse Security Fund
\$ 60,919	\$ 29,146	\$ 1,146	\$ 280,617	\$ 30,689
-	124,992	-	-	-
<u>\$ 60,919</u>	<u>\$ 154,138</u>	<u>\$ 1,146</u>	<u>\$ 280,617</u>	<u>\$ 30,689</u>
\$ -	\$ -	\$ -	\$ 346	\$ 763
7,724	-	-	604	1,601
-	-	-	-	-
-	-	-	-	-
<u>7,724</u>	<u>-</u>	<u>-</u>	<u>950</u>	<u>2,364</u>
<u>53,195</u>	<u>154,138</u>	<u>1,146</u>	<u>279,667</u>	<u>28,325</u>
<u>53,195</u>	<u>154,138</u>	<u>1,146</u>	<u>279,667</u>	<u>28,325</u>
<u>\$ 60,919</u>	<u>\$ 154,138</u>	<u>\$ 1,146</u>	<u>\$ 280,617</u>	<u>\$ 30,689</u>

**FREESTONE COUNTY, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2021

	Records Management Fund	JP Technology Fund	Justice Court Building Security	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash and Cash Equivalents	\$ 16,601	\$ 1,898	\$ 15,385	\$ 510,655
Due from Other Governments	-	-	-	134,840
Total Assets	<u>\$ 16,601</u>	<u>\$ 1,898</u>	<u>\$ 15,385</u>	<u>\$ 645,495</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,456
Accrued Liabilities	-	-	-	15,337
Due to Other Funds	-	-	-	500
Due to Others	-	-	-	58,072
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,365</u>
Deferred Inflows of Resources:				
Fund Balances:				
Restricted				
Special Revenue	<u>16,601</u>	<u>1,898</u>	<u>15,385</u>	<u>569,130</u>
Total Fund Balance	<u>16,601</u>	<u>1,898</u>	<u>15,385</u>	<u>569,130</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 16,601</u>	 <u>\$ 1,898</u>	 <u>\$ 15,385</u>	 <u>\$ 645,495</u>

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# FREESTONE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Chapter 19 Voter Fund	County Attorney Fund	County Attorney Crime Victims	District Attorney Special Revenue
Revenue:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 27,500
Charges for Services	-	16,800	-	-
Interest and Royalty Income	-	60	-	-
Other	1,130	2,760	32,186	-
Total Revenues	<u>1,130</u>	<u>19,620</u>	<u>32,186</u>	<u>27,500</u>
Expenditures:				
General Administration	1,130	-	-	-
Public Safety	-	-	-	-
Judicial	-	14,641	32,202	34,386
Health and Welfare	-	-	-	-
Total Expenditures	<u>1,130</u>	<u>14,641</u>	<u>32,202</u>	<u>34,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>4,979</u>	<u>(16)</u>	<u>(6,886)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	6,000	2,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>2,000</u>
Net Change in Fund Balances	-	4,979	5,984	(4,886)
Fund Balances - Beginning	-	9,099	13	3,586
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 14,078</u>	<u>\$ 5,997</u>	<u>\$ (1,300)</u>

Sheriff Special Revenue	Special Budget Fund	Unclaimed Money Fund	Records Archive Fund	Courthouse Security Fund
\$ -	\$ 181,098	\$ -	\$ -	\$ -
-	-	-	108,249	23,229
311	-	-	1,380	-
19,829	12,643	65	-	-
<u>20,140</u>	<u>193,741</u>	<u>65</u>	<u>109,629</u>	<u>23,229</u>
-	46,743	-	44,279	58,030
16,905	-	-	-	-
-	-	-	-	-
-	22,559	-	-	-
<u>16,905</u>	<u>69,302</u>	<u>-</u>	<u>44,279</u>	<u>58,030</u>
<u>3,235</u>	<u>124,439</u>	<u>65</u>	<u>65,350</u>	<u>(34,801)</u>
-	-	-	-	46,800
-	-	-	-	<u>46,800</u>
3,235	124,439	65	65,350	11,999
49,960	29,699	1,081	214,317	16,326
<u>\$ 53,195</u>	<u>\$ 154,138</u>	<u>\$ 1,146</u>	<u>\$ 279,667</u>	<u>\$ 28,325</u>

**FREESTONE COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Records Management Fund	JP Technology Fund	Justice Court Building Security	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
Revenue:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 208,598
Charges for Services	5,750	8,801	763	163,592
Interest and Royalty Income	-	-	-	1,751
Other	-	-	-	68,613
Total Revenues	<u>5,750</u>	<u>8,801</u>	<u>763</u>	<u>442,554</u>
Expenditures:				
General Administration	1,500	-	-	151,682
Public Safety	-	-	-	16,905
Judicial	1,500	9,565	-	92,294
Health and Welfare	-	-	-	22,559
Total Expenditures	<u>3,000</u>	<u>9,565</u>	<u>-</u>	<u>283,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,750</u>	<u>(764)</u>	<u>763</u>	<u>159,114</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	54,800
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,800</u>
Net Change in Fund Balances	2,750	(764)	763	213,914
Fund Balances - Beginning	13,851	2,662	14,622	355,216
Fund Balances - Ending	<u>\$ 16,601</u>	<u>\$ 1,898</u>	<u>\$ 15,385</u>	<u>\$ 569,130</u>

**FREESTONE COUNTY, TEXAS**

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2021

	County Officials Trust and Agency Fund	Total Agency Funds (See Exhibit A-7)
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,881,970	\$ 1,881,970
Total Assets	<u>\$ 1,881,970</u>	<u>\$ 1,881,970</u>
<b>LIABILITIES:</b>		
Due to Others	\$ 929,670	\$ 929,670
Due to Other Governments	952,300	952,300
Total Liabilities	<u>\$ 1,881,970</u>	<u>\$ 1,881,970</u>

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**DAVIS, HEINEMANN & COMPANY, P.C.**

*CERTIFIED PUBLIC ACCOUNTANTS*

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P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

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FAX (936) 291-9607

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Freestone County, Texas  
118 East Commerce  
Fairfield, Texas 75840

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freestone County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Freestone County, Texas's basic financial statements, and have issued our report thereon dated June 24, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Freestone County, Texas's internal control over financial reporting (internal control) as a basis for designing 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 Freestone County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Freestone County, Texas'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. 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 Freestone County, Texas'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 financial statements. 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co.".

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
June 24, 2022