

STERLING COUNTY,
TEXAS

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

SEPTEMBER 30,2020



Roberts & McGee CPA

STERLING COUNTY, TEXAS
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court
Sterling County, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas (the County), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of

Sterling County, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-9 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sterling County, Texas' basic financial statements. The other supplementary schedules on pages 43-48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, on our consideration of Sterling 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sterling County, Texas' internal control over financial reporting and compliance.


Roberts & McGee, CPA

Abilene, Texas,
May 7, 2021

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

As management of Sterling County we offer readers of Sterling County, Texas' financial statements this narrative overview and analysis of the financial activities of Sterling County, Texas for the fiscal year ended September 30, 2020.

Financial Highlights

Government-Wide Financial Statements

- The assets of the governmental activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$14,703,347 (*net position*). Of this amount, \$6,047,812 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$6,961,805 of the County's equity is invested in capital assets, net of related debt; and \$1,693,730 of the County's equity is restricted for special revenue funds and debt service.
- The assets of the business-type activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$1,855,769 (*net position*). Of this amount, \$1,184,216 (*unrestricted*) may be used to meet the government's ongoing obligations. \$671,553 of the County's equity is invested in capital assets.
- The net position (*equity*) of the governmental activities of the County increased by \$1,468,444 during the 2020 fiscal year, and net position (*equity*) of the business-type activities of the County increased by \$132,214 during the 2020 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, Sterling County's general fund reported an ending unassigned fund balance of \$4,326,913. This fund balance reflects an increase of \$208,105 over the prior year unassigned fund balance.
- In the road & bridge fund, the fund balance increased \$45,937 for the current year.
- The proprietary fund which reports on the operations of the nursing home reflects an increase in net position for the current year of \$132,214.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sterling County's basic financial statements. Sterling County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The government-wide financial statements reflect functions of Sterling County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Sterling County include general administration, judicial, legal, public facilities, road and bridge, public safety, health and welfare, and other supported services. The government-wide financial statements can be found on pages 10-11 of this report.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sterling County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sterling County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sterling County has three governmental fund types which are the general fund, special revenue funds, and, debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road & bridge fund, and debt service fund, which are considered to be major funds. Data from the other non-major governmental funds is combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. The governmental fund financial statements can be found on pages 12-17 of this report.

Sterling County adopts an annual appropriated budget for the general fund, the road & bridge fund, and various other special revenue funds. Budgetary comparison schedules have been provided for the general fund and the road & bridge fund to demonstrate compliance with the budgets on pages 38-39.

Proprietary funds. Sterling County maintains one proprietary fund which is the Nursing Home Fund. This fund charges for the services it provides to residents of the nursing home. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's proprietary fund is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as agency funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statements can be found on pages 21-22.

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

Other information. The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 43-46 of this report. Combining financial statements for the aggregated component units are also provided as other supplemental information and can be found on pages 47-48.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sterling County, assets exceeded liabilities by \$12,847,578 in the governmental activities and \$1,855,769 in the business-type activities at the close of the most recent fiscal year.

\$6,961,805 of Sterling County's total net position (47 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. Sterling County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Sterling County's Net Position

	Governmental Activities	
	2020	2019
Current assets	\$ 6,234,661	\$ 6,054,575
Non-current assets	6,764,588	5,894,157
Total Assets	12,999,249	11,948,732
Deferred Outflows - Pension	340,728	514,406
Total Assets and Deferred Outflows	13,339,977	12,463,138
Current liabilities	91,165	888,290
Long-term liabilities	-	-
Total Liabilities	91,165	888,290
Deferred Inflows - Pension	401,234	195,714
Total Liabilities and Deferred Inflows	492,399	1,084,004
Net investment in capital assets	6,290,252	4,980,728
Restricted	1,693,730	1,643,264
Unrestricted	4,863,596	4,755,142
Total Net Position	\$ 12,847,578	\$ 11,379,134

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Sterling County's Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ 762,812	\$ 833,756
Operating grants & contributions	402,597	181,701
General Revenues		
Property taxes	4,684,415	4,521,879
Investment earnings	33,210	82,694
Other income	100,684	254,410
Transfers	(732,374)	(824,161)
Total Revenues	5,251,344	5,050,279
Expenses		
General government	712,739	633,692
Road and bridge	689,077	726,337
County judge	93,577	96,896
County and district clerk	168,211	132,524
Justice of the peace	104,822	104,648
County attorney	93,446	90,286
County treasurer	69,434	71,006
County tax collector	104,871	100,227
County building operations	176,833	298,078
County sheriff	534,659	460,065
County agent	62,561	69,154
Trapper	76,800	76,800
Senior citizens	37,400	37,400
Volunteer fire department	112,363	77,113
EMS	334,646	273,588
Clinic	406,050	369,736
Interest and debt issuance costs	5,411	19,668
Total expenses	3,782,900	3,637,218
Change in Net Position	1,468,444	1,413,061
Beginning Net Position	11,379,134	9,966,073
Ending Net Position	\$ 12,847,578	\$ 11,379,134

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

	<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
Current assets	\$ 1,148,492	\$ 596,402
Non-current assets	1,232,887	854,402
Total Assets	<u>2,381,379</u>	<u>1,450,804</u>
Deferred Outflows - Pension	403,219	608,570
Total Assets and Deferred Outflows	<u>2,784,598</u>	<u>2,059,374</u>
Current liabilities	<u>225,362</u>	<u>104,388</u>
Total Liabilities	225,362	104,388
Unearned grant revenue	228,642	
Deferred Inflows - Pension	<u>474,825</u>	<u>231,611</u>
Total Liabilities and Deferred Inflows	928,829	335,999
Net investment in capital assets	671,553	672,832
Unrestricted	<u>1,184,216</u>	<u>1,050,723</u>
Total Net Position	<u>\$ 1,855,769</u>	<u>\$ 1,723,555</u>
	<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,115,383	\$ 1,749,256
Operating grants & contributions	230,417	253,883
General Revenues		
Other revenue	3,393	12,585
Transfers	<u>732,374</u>	<u>824,161</u>
Total Revenues	3,081,567	2,839,885
Expenses		
Nursing home	<u>2,949,353</u>	<u>2,694,811</u>
Total expenses	<u>2,949,353</u>	<u>2,694,811</u>
Change in Net Position	132,214	145,074
Beginning Net Position	<u>1,723,555</u>	<u>1,578,481</u>
Ending Net Position	<u>\$ 1,855,769</u>	<u>\$ 1,723,555</u>

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, Sterling County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Sterling County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Sterling County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Sterling County's governmental general fund reported an ending fund balance of \$4,419,256 which is generally unassigned and available for spending at the County's discretion. The road and bridge fund reported an ending fund balance of \$1,069,876 which is restricted for road and bridge operations.

Fund Budgetary Highlights

The original budget for the general fund reflected a deficit of \$359,434. The adjusted budget reflected a deficit of \$351,434. The actual expenditures were \$532,196 less than the final budgeted amounts, and actual revenues were \$65,373 less than was budgeted.

The original and the final amended budgets for the road and bridge fund reflect a balanced budget. The actual expenditures were \$70,609 less than the final budgeted amounts, and actual revenues were \$24,672 less than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Sterling County's investment in capital assets for its governmental activities amounts to \$6,290,252 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$671,553 (net of accumulated depreciation) as of September 30, 2020. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**Sterling County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 6,238	\$ 6,238
Buildings and improvements	792,719	810,082
Infrastructure	3,214,062	3,329,412
Equipment	1,087,829	988,738
Vehicles	1,189,404	606,258
Total	\$ 6,290,252	\$ 5,740,728

**STERLING COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

**Sterling County's Capital Assets
(net of depreciation)**

	Business-Type Activities	
	2020	2019
Buildings and improvements	\$ 613,214	\$ 631,949
Furniture and equipment	58,339	40,883
Total	\$ 671,553	\$ 672,832

Additional information on Sterling County's capital assets can be found in Note 5 on pages 30 and 31 of this report.

Debt Administration

Sterling County had long-term debt in the form of tax notes within the governmental activities of the County. The tax notes were issued in fiscal year 2014 and the final payment was completed in fiscal year 2020. There was no outstanding debt as of September 30, 2020.

Additional information on Sterling County's long-term debt can be found in Note 6 on page 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sterling County adopted a 2020 property tax rate effective for its 2021 fiscal year of 0.459488 per \$100 property valuation. This is compared to the 2019 tax rate of .537893 per \$100 property valuation. The 2020 tax rate is all for maintenance and operations since the debt was paid off in the year ended September 30, 2020.
- The 2021 fiscal year budget was approved by the County in September 2020. The General Fund budgeted revenue for FY 2021 are \$4,361,128 which is comparable to the FY 2020 budgeted revenues of \$4,525,378.

Requests for Information

This financial report is designed to provide a general overview of Sterling County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Sterling County, Box 819, Sterling City, Texas 76951.

BASIC FINANCIAL STATEMENTS

STERLING COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current:				
Cash and cash investments	\$ 3,827,944	\$ 783,283	\$ 4,611,227	\$ 50,255
Investments	2,120,000		2,120,000	
Property tax receivable, net	27,793		27,793	
Accounts receivable, net	76,647	294,288	370,935	
Accrued interest receivable	7,044		7,044	
Other receivables	82,890		82,890	
Prepaid insurance	92,343	70,921	163,264	
Total current assets	<u>6,234,661</u>	<u>1,148,492</u>	<u>7,383,153</u>	<u>50,255</u>
Non-current:				
Capital assets				
Non-depreciable capital assets	6,238		6,238	
Depreciable capital assets, net	6,284,014	671,553	6,955,567	361,343
Net pension asset	474,336	561,334	1,035,670	
Total non-current assets	<u>6,764,588</u>	<u>1,232,887</u>	<u>7,997,475</u>	<u>361,343</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	340,728	403,219	743,947	
Total Assets and Deferred Outflows of Resources	<u>13,339,977</u>	<u>2,784,598</u>	<u>16,124,575</u>	<u>411,598</u>
LIABILITIES				
Current:				
Accounts payable	45,987	109,544	155,531	755
Accrued payroll expenses		91,846	91,846	
Due to other governmental entities	45,178		45,178	
Due to others		23,972	23,972	
Total Liabilities	<u>91,165</u>	<u>225,362</u>	<u>316,527</u>	<u>755</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue		228,642	228,642	
Deferred inflows - pension	401,234	474,825	876,059	
NET POSITION				
Net investment in capital assets	6,290,252	671,553	6,961,805	361,343
Restricted	1,693,730		1,693,730	
Unrestricted	4,863,596	1,184,216	6,047,812	49,500
Total Net Position	<u>\$ 12,847,578</u>	<u>\$ 1,855,769</u>	<u>\$ 14,703,347</u>	<u>410,843</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

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

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 712,739	\$ 17,653	\$ 382,366	\$
Road and bridge	689,077	112,652		
County judge	93,577	26,838	16,312	
County and district clerk	168,211	50,922	3,327	
Justice of the peace	104,822	316,606		
County attorney	93,446	770		
County treasurer	69,434			
County tax collector	104,871	15,130		
County building operations	176,833			
County sheriff	534,659	2,245	592	
County agent	62,561			
Trapper	76,800			
Senior citizens	37,400			
Volunteer fire department	112,363			
EMS	334,646	89,633		
Clinic	406,050	130,363		
Interest and debt issuance costs	5,411			
Total governmental activities	3,782,900	762,812	402,597	
Business-type activities:				
Nursing home operations	2,949,353	2,115,383	230,417	
Total business-type activities	2,949,353	2,115,383	230,417	
Total Primary Government	\$ 6,732,253	\$ 2,878,195	\$ 633,014	\$
Component Units:				
Fire Department	\$ 70,546	\$	\$ 87,565	\$
Senior Citizens	62,181	4,926	122,894	
Total component units	\$ 132,727	\$ 4,926	\$ 210,459	\$

General revenues:
 Property taxes
 Investment earnings
 Other income
 Transfers
 Total general revenues
 Change in net position

 Net position - beginning

 Net position - ending

The accompanying notes are an integral part of the financial statements.

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
\$ (312,720)		
(576,425)		
(50,427)		
(113,962)		
211,784		
(92,676)		
(69,434)		
(89,741)		
(176,833)		
(531,822)		
(62,561)		
(76,800)		
(37,400)		
(112,363)		
(245,013)		
(275,687)		
(5,411)		
<u>(2,617,491)</u>		
	\$ <u>(603,553)</u>	
	<u>(603,553)</u>	
<u>(2,617,491)</u>	<u>(603,553)</u>	
		\$ 17,019
		<u>65,639</u>
		<u>82,658</u>
4,684,415		
33,210		19
100,684	3,393	816
<u>(732,374)</u>	<u>732,374</u>	
<u>4,085,935</u>	<u>735,767</u>	<u>835</u>
1,468,444	132,214	83,493
<u>11,379,134</u>	<u>1,723,555</u>	<u>327,350</u>
\$ <u>12,847,578</u>	\$ <u>1,855,769</u>	\$ <u>410,843</u>

STERLING COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General Fund	Road & Bridge Fund	Debt Service Fund
ASSETS			
Cash and cash investments	\$ 2,458,887	\$ 1,067,310	\$ 36,089
Investments	1,800,000		
Due from agency funds	80,168		
Property tax receivable, net	22,964		4,829
Accounts receivable, net	73,181	3,466	
Accrued interest receivable	6,641		
Prepaid insurance	92,343		
	\$ 4,534,184	\$ 1,070,776	\$ 40,918
Total Assets	\$ 4,534,184	\$ 1,070,776	\$ 40,918
 LIABILITIES			
Liabilities:			
Accounts payable	\$ 43,966	\$ 900	
Due to state	45,178		
Total liabilities	89,144	900	
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	25,784		4,726
Total deferred inflows of resources	25,784		4,726
 FUND BALANCE			
Nonspendable for prepaids	92,343		
Restricted:			
Special revenue		1,069,876	
Debt service			36,192
Unassigned	4,326,913		
Total fund balance	4,419,256	1,069,876	36,192
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ 4,534,184	 \$ 1,070,776	 \$ 40,918

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 265,658	\$ 3,827,944
320,000	2,120,000
2,722	82,890
	27,793
	76,647
403	7,044
	92,343
<u>588,783</u>	<u>6,234,661</u>

\$ 1,121	\$ 45,987
	45,178
<u>1,121</u>	<u>91,165</u>

	30,510
	30,510

92,343

587,662	1,657,538
	36,192
	4,326,913
<u>587,662</u>	<u>6,112,986</u>

\$ <u>588,783</u>	\$ <u>6,234,661</u>
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STERLING COUNTY, TEXAS

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

Total fund balances - governmental funds	\$	6,112,986
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet. At the beginning of the year, the cost of these assets was \$9,094,891 and the accumulated depreciation was \$3,354,163.</p>		5,740,728
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		1,084,327
<p>Depreciation expense decreases net position, but is not recorded in the fund financial statements.</p>		(534,803)
<p>Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position. No long term debt at year end.</p>		-
<p>Deferred revenue are recorded in the fund financial statements, but the revenue is recognized in the governmental-wide financial statements.</p>		30,510
<p>Included on the government-wide financial statements is the recognition of the County's proportionate share of the net pension asset of \$474,336, and a deferred outflow of resources of \$340,728, and a deferred inflow of \$401,234. The net effect is to increase net position.</p>		<u>413,830</u>
Net position of governmental activities - statement of net position	\$	<u><u>12,847,578</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

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

	General Fund	Road & Bridge Fund	Debt Service Fund
REVENUES			
Property taxes	\$ 3,344,513	\$ 571,893	\$ 767,966
Licenses and permits		110,603	
Fees	89,507	2,049	
Fines and forfeitures	310,771		
Clinic revenue	130,363		
Investment earnings	23,657	6,078	383
Rental revenues	2,400		
Intergovernmental	382,366		
EMS revenue	89,633		
Miscellaneous	86,795	13,889	
Total revenues	4,460,005	704,512	768,349
EXPENDITURES			
Current:			
General government	556,217		
Road and bridge		441,376	
County judge	90,342		
County and district clerk	163,076		
Justice of the peace	101,352		
County attorney	90,310		
County treasurer	67,270		
County tax collector	101,930		
County building operations	174,021		
County sheriff	481,594		
County agent	52,322		
Trapper	76,800		
Senior citizens	37,400		
Volunteer fire department	50,000		
Clinic	394,316		
EMS	257,982		
Capital outlay	837,651	217,199	
Debt service			765,411
Total expenditures	3,532,583	658,575	765,411
Excess (deficiency) of revenues over expenditures	927,422	45,937	2,938
OTHER FINANCING SOURCES (USES)			
Transfers out	(732,374)		
Total other financing sources (uses)	(732,374)		
Net Change in Fund Balance	195,048	45,937	2,938
Fund Balance - Beginning	4,224,208	1,023,939	33,254
Fund Balance - Ending	\$ 4,419,256	\$ 1,069,876	\$ 36,192

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 28,346	\$ 4,712,718
	110,603
27,486	119,042
	310,771
	130,363
3,092	33,210
	2,400
20,231	402,597
	89,633
	100,684
<u>79,155</u>	<u>6,012,021</u>
48,087	604,304
	441,376
	90,342
	163,076
	101,352
	90,310
	67,270
	101,930
	174,021
	481,594
	52,322
	76,800
	37,400
	50,000
	394,316
	257,982
29,477	1,084,327
	765,411
<u>77,564</u>	<u>5,034,133</u>
<u>1,591</u>	<u>977,888</u>
	(732,374)
	<u>(732,374)</u>
1,591	245,514
586,071	5,867,472
<u>\$ 587,662</u>	<u>\$ 6,112,986</u>

STERLING COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - governmental funds	\$	245,514
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		1,084,327
<p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$534,803 is to decrease net position.</p>		(534,803)
<p>The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net increase to net position of \$760,000.</p>		760,000
<p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$28,303. This results in a decrease in net position</p>		(28,303)
<p>Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$58,291.</p>		<u>(58,291)</u>
Net position of governmental activities - statement of net position	\$	<u><u>1,468,444</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
 SEPTEMBER 30, 2020

	Nursing Home
ASSETS:	
Current Assets:	
Cash and cash investments	\$ 783,283
Accounts receivable, net	294,288
Prepaid expense	70,921
Total Current Assets	1,148,492
Noncurrent Assets:	
Depreciable capital assets, net	671,553
Net pension asset	561,334
Total Noncurrent Assets	1,232,887
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension related	403,219
Total Assets and Deferred Outflows of Resources	2,784,598
LIABILITIES:	
Accounts payable	109,544
Accrued payroll expenses	91,846
Due to others	23,972
Total Liabilities	225,362
DEFERRED INFLOWS OF RESOURCES	
Unearned grant revenue	228,642
Deferred inflows - pension related	474,825
NET POSITION:	
Net investment in capital assets	671,553
Unrestricted	1,184,216
Total Net Position	\$ 1,855,769

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
 YEAR ENDED SEPTEMBER 30, 2020

	<u>Nursing Home</u>
OPERATING REVENUE:	
Resident revenue	\$ 2,115,258
State QIPP Funds, net	190,340
Other operating revenue	3,393
Donations	<u>125</u>
Total Operating Revenue	<u>2,309,116</u>
OPERATING EXPENSES:	
Nursing	943,772
Medical supplies	187,069
Consultants and management fees	23,172
Activities	24,140
Medical records	33,766
Dietary	209,675
Laundry and housekeeping	162,183
Therapy	290,894
Mangement fee	191,250
Other operating	<u>883,432</u>
Total Operating Expenses	<u>2,949,353</u>
Operating Income	<u>(640,237)</u>
NON-OPERATING REVENUE (EXPENSES)	
Grant revenue - CARES Act Funding	40,077
Transfers in	<u>732,374</u>
Total Non-operating Revenue (Expenses)	<u>772,451</u>
CHANGE IN NET POSITION	132,214
NET POSITION - BEGINNING	<u>1,723,555</u>
NET POSITION - ENDING	<u><u>\$ 1,855,769</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2020

	<u>Nursing Home</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from resident services	\$ 1,963,007
Receipts from state QIPP program	190,340
Payments to employees and related taxes and benefits	(1,719,520)
Payments to consultants and management company	(252,934)
Payments to suppliers	(498,257)
Payments to others	(250,649)
Net cash provided (used) by operating activities	<u>(568,013)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant funding - CARES Act	268,719
Operating transfers in	732,374
Net cash provided (used) by noncapital financing activities	<u>1,001,093</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(66,068)
Net cash provided (used) by capital and related financing activities	<u>(66,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net cash provided (used) by investing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	367,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>416,271</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 783,283</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (640,237)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	67,347
(Increase) decrease in accounts receivable	(173,512)
(Increase) decrease in prepaid assets	(11,566)
(Increase) decrease in pension related assets	68,981
Increase (decrease) in accounts payable	79,398
Increase (decrease) in accrued payroll	23,833
Increase (Decrease) in due to others	17,743
Net cash used by operating activities	<u><u>\$ (568,013)</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

BALANCE SHEET - FIDUCIARY FUNDS

SEPTEMBER 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>79,672</u>
Total Assets	\$ <u><u>79,672</u></u>
LIABILITIES	
Due to Others	\$ <u>79,672</u>
Total Liabilities	\$ <u><u>79,672</u></u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Agency Funds</u>
ADDITIONS	
Deposits	\$ 11,924,192
Total Additions	<u>11,924,192</u>
DEDUCTIONS	
Disbursements	<u>11,923,761</u>
Total Deductions	<u>11,923,761</u>
Change in Net Position	431
Net Position - beginning of year	<u>79,241</u>
Net Position - end of year	<u>\$ 79,672</u>

The accompanying notes are an integral part of the financial statements.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 1: REPORTING ENTITY

Primary Government

Sterling County, Texas (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government, road and bridge, County judge, County and District clerk, Justice of the Peace, County attorney, County treasurer, County tax collector, County building operations, nursing home operations, County sheriff, County agent, and trapper.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

Discretely Presented Component Units

The Senior Citizens Center is a non-profit entity which is subsidized by the County with operational funds and is utilizing county owned buildings to conduct services to the County. The Center is governed by a separate board which is not appointed by the County Commissioners but reports monthly to them.

The Sterling Volunteer Fire Department was organized in 1963 and is governed by a nine-person Board of Directors. The Fire Department is subsidized annually by the County. The principal functions of the Fire Department are to save lives and to protect property endangered by fire or other disasters in Sterling County, Texas.

NOTE 2: GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for proprietary and governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

Road & Bridge Fund - The Road & Bridge Fund accounts for financial resources restricted for the purpose of repairing roads and bridges and related expenditures.

Debt Service Fund - The Debt Service Fund is used to collect the property taxes to fund the County's debt payments and the expenditures related to debt service.

The County reports the following major proprietary fund:

Nursing Home Fund - This fund is used to account for the activities of the County's Nursing Home which is operated in a manner similar to a private business enterprise. The Nursing Home is supported by resident charges, state revenues, and subsidies from the County when needed to cover operational expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

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.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

Budget Policies

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

Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Budgets are adopted for all funds, and budget amendments are approved by the Commissioners' Court. All appropriations lapse at year end.

Property Taxes

Property tax revenues are considered available when collected within the current period. The County levies property taxes prior to September 30 and become due on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2020 was \$.537893 per \$100 valuation.

Allowance for uncollectible tax receivables within the General Fund and Debt Service Fund is 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.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. 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. The County capitalizes all capital outlay expenditures over \$5,000.

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>
Buildings and improvements	50
Furniture and equipment	5-15
Infrastructure	20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the differences between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the County has deferred inflows of resources for the differences between expected and actual experience related to the valuation of the County's net pension asset. In the governmental fund financial statements, the County has deferred inflows of resources related to the timing of the receipts from property taxes.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities. The long-term debt of the County includes bonds payable.

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. Transfers to component units 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.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Statement of Cash Flows

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County had \$92,343 classified as nonspendable at September 30, 2020.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for use only for a specific use. The County had \$1,069,876 restricted for road and bridge repairs, \$587,662 for special revenue projects, and \$36,192 for future debt service requirements at year end.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to management through the budgetary process. The County has no funds classified as assigned at September 30, 2020.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued

Pensions

The fiduciary net position of the Texas County & 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 net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. Investments are reported at fair value.

NOTE 4: 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

Primary Government - At September 30, 2020, the carrying amount of the County's deposits and certificates of deposit was \$6,731,227. The bank balance at September 30, 2020, was \$6,857,438. The County's cash deposits and certificates of deposit at September 30, 2020, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

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 owed by the entity.

Statutes authorize the County to invest in 1) obligations of the U.S. Treasury or the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The County is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety or principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4: DEPOSITS AND INVESTMENTS - continued

The County's investments at September 30, 2020 are as follows:

	Cost Basis	Fair Value
Governmental Activities:		
Certificates of deposit	\$ 2,100,000	\$ 2,100,000
	2,100,000	2,100,000
Special Revenue Funds		
Certificates of deposit	20,000	20,000
	20,000	20,000
Total investments	\$ 2,120,000	\$ 2,120,000

Analysis of Specific Deposit and Investment Risk

Interest rate risk: In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the weighted average maturity portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the county shall not exceed three years from the time of purchase. The commissioners may specifically authorize a longer maturity for a given investment within legal limits.

Credit risk: State law and County policy limit investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2020, the County had \$2,120,000 in investments.

Concentration of credit risk: The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk: Custodial credit risk is the risk that deposits are exposed to 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. At September 30, 2020, the County was not exposed to custodial credit risk.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
PRIMARY GOVERNMENT				
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,238	\$ -	\$ -	\$ 6,238
Total capital assets not being depreciated	6,238	-	-	6,238
Capital assets being depreciated				
Buildings and improvements	1,619,239	44,160		1,663,399
Furniture and equipment	2,261,237	288,751		2,549,988
Vehicles	1,198,294	751,416	(35,481)	1,914,229
Infrastructure	4,009,883			4,009,883
Total capital assets being depreciated	9,088,653	1,084,327	(35,481)	10,137,499
Less accumulated depreciation for:				
Buildings and improvements	(809,157)	(61,523)		(870,680)
Furniture and equipment	(1,272,499)	(189,660)		(1,462,159)
Vehicles	(592,036)	(168,270)	35,481	(724,825)
Infrastructure	(680,471)	(115,350)		(795,821)
Total accumulated depreciation	(3,354,163)	(534,803)	35,481	(3,853,485)
Governmental activities capital assets, net \$	5,740,728	\$ 549,524	\$ -	\$ 6,290,252

Depreciation was charged to the functions as follows:

Road and bridge	\$ 247,701
County agent	10,135
County sheriff	42,467
General government	99,993
Volunteer fire department	62,363
Family clinic	3,310
EMS	68,834
Total depreciation expense-governmental activiti	\$ 534,803

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: CAPITAL ASSETS – continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets being depreciated				
Buildings and improvements	\$ 1,744,540	\$ 25,768	\$ -	\$ 1,770,308
Furniture and equipment	436,685	40,300	-	476,985
Total capital assets being depreciated	2,181,225	66,068	-	2,247,293
Less accumulated depreciation for:				
Buildings and improvements	(1,112,592)	(44,502)	-	(1,157,094)
Furniture and equipment	(395,801)	(22,845)	-	(418,646)
Total accumulated depreciation	(1,508,393)	(67,347)	-	(1,575,740)
Business type activities capital assets, net \$	672,832	\$ (1,279)	\$ -	\$ 671,553

	Beginning Balance	Increases	Decreases	Ending Balance
DISCRETELY PRESENTED COMPONENT UNITS				
Capital assets being depreciated				
Buildings and improvements	\$ 391,619	\$ 60,023	\$ -	\$ 451,642
Furniture and equipment	263,332	54,939	-	318,271
Total capital assets being depreciated	654,951	114,962	-	769,913
Less accumulated depreciation for:				
Buildings and improvements	(192,587)	(10,645)	-	(203,232)
Furniture and equipment	(184,406)	(20,932)	-	(205,338)
Total accumulated depreciation	(376,993)	(31,577)	-	(408,570)
Business type activities capital assets, net \$	277,958	\$ 83,385	\$ -	\$ 361,343

Depreciation was charged to functions as follows:

Sterling County Senior Center	\$ 10,645
Sterling Volunteer Fire Department	20,932

\$ 31,577

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6: LONG TERM DEBT

A summary of changes in long term debt are as follows:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Tax Notes				
Series 2014	\$ 760,000	\$ -	\$ 760,000	\$ -
Total Long Term Debt	760,000	-	760,000	-

The county had one tax note that was issued in 2014. During fiscal year 2020, the final payment on this note was completed and the County had no long-term debt outstanding at September 30, 2020.

NOTE 7: RETIREMENT PLAN

Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of almost 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Sterling County can retire at age 60 and above with eight or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLA’s. Ad hoc post-employment benefit changes, including ad hoc COLA’s, can be granted by the County Commissioners within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2019 consisted of the following:

Inactive employees receiving benefits	45
Inactive employees not yet receiving benefits	183
Active employees	88

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 7: RETIREMENT PLAN - continued

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the county is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The rate the County contributed for the months of the accounting year in 2019 and 2020 were 7.19% and 7.75% respectively. The deposit rate payable by the employee members for the calendar year 2019 and 2020 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended September 30, 2020 were \$200,060.

Actuarial Assumptions

The total pension asset at December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0 Years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5 year smoothed value
Discount Rate	8.10%
Long-term expected Investment Rate of Return	8.10%
Salary increases	4.9% average over career including inflation

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

There were no changes in assumptions or methods reflected in the December 31, 2019 actuarial valuation. There was one method change reflected in the December 31, 2019 actuarial valuation. The asset valuation method was changed so that the remaining unrecognized asset gains or losses from the previous year were updated to the current year to account for the time value of money using investment return assumption. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension asset was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

NOTE 7: RETIREMENT PLAN - continued

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by .10% to be gross of administrative expenses.

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

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 to December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: RETIREMENT PLAN - continued

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

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

At September 30, 2020, the County reported a net pension asset of \$1,035,670 for its proportionate share of the TCDRS's net pension liability measured at December 31, 2019. For the year ended September 30, 2020, the County recognized pension expense of \$327,332.

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

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

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: RETIREMENT PLAN - continued

Changes in the net pension asset for the measurement year ended December 31, 2019 are as follows:

Changes in Net Pension Liability/(Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balance at December 31, 2018	\$ 9,064,817	\$ 9,399,816	\$ (334,999)
Changes for the year:			
Service Cost	457,483		457,483
Interest on total pension liability	746,009		746,009
Effect of plan changes			
Effect of economic/demographic gains or losses	(3,762)		(3,762)
Effect of assumptions changes or inputs			
Refund of contributions	(21,759)	(21,759)	
Benefit payments	(615,272)	(615,272)	
Administrative expenses		(8,126)	8,126
Member contributions		183,609	(183,609)
Net investment income		1,543,906	(1,543,906)
Employer contributions		188,593	(188,593)
Other	1	(7,580)	7,581
Balances as of December 31, 2019	\$ 9,627,517	\$ 10,663,187	\$ (1,035,670)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.100%)
Total Pension Liability	\$ 10,731,388	\$ 9,627,517	\$ 8,693,646
Fiduciary Net Position	10,663,187	10,663,187	10,663,187
Net Pension Liability/(Asset)	\$ 68,201	\$ (1,035,670)	\$ (1,969,541)

At September 30, 2020 the County reported its share of the TCDRS's 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		\$ 7,205
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	593,201	868,854
Contributions subsequent to the measurement date	150,746	
Total	\$ 743,947	\$ 876,059

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: RETIREMENT PLAN - continued

\$150,746 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 ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2020	\$ (77,633)
2021	(82,355)
2022	35,864
2023	(158,734)
2024	
Thereafter	
	\$ (282,858)

NOTE 8: 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 2020, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

NOTE 9: FINANCIAL INSTRUMENTS

The County has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at September 30, 2020, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash, accounts receivables, prepaid expenses, accounts payable, and payroll liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,353,072	\$ 3,353,072	\$ 3,344,513	\$ (8,559)
Fees	134,050	134,050	89,507	(44,543)
Fines and forfeitures	248,000	248,000	310,771	62,771
Clinic revenue	148,500	148,500	130,363	(18,137)
Investment earnings	40,000	40,000	23,657	(16,343)
Rental revenues	2,400	2,400	2,400	-
Intergovernmental	235,634	337,034	382,366	45,332
EMS revenue	75,000	75,000	89,633	14,633
Miscellaneous	187,322	187,322	86,795	(100,527)
Total Revenues	<u>4,423,978</u>	<u>4,525,378</u>	<u>4,460,005</u>	<u>(65,373)</u>
Expenditures				
Current:				
General government	788,988	809,105	556,217	252,888
County judge	97,583	96,577	90,342	6,235
County and district clerk	164,368	165,374	163,076	2,298
Justice of the peace	108,014	108,014	101,352	6,662
County attorney	93,431	93,431	90,310	3,121
County treasurer	74,346	74,346	67,270	7,076
County tax collector	109,388	109,388	101,930	7,458
County building operations	207,094	207,094	174,021	33,073
County sheriff	505,578	505,578	481,594	23,984
County agent	69,396	69,396	52,322	17,074
Trapper	76,800	76,800	76,800	-
Senior citizens	37,400	37,400	37,400	-
Volunteer fire department	50,000	50,000	50,000	-
Clinic	414,357	414,357	394,316	20,041
EMS	273,786	274,639	257,982	16,657
Capital outlay	900,850	973,280	837,651	135,629
Total Expenditures	<u>3,971,379</u>	<u>4,064,779</u>	<u>3,532,583</u>	<u>532,196</u>
Excess (deficiency) of revenues over expenditures	<u>452,599</u>	<u>460,599</u>	<u>927,422</u>	<u>466,823</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(812,033)	(812,033)	(732,374)	79,659
Total other financing sources (uses)	<u>(812,033)</u>	<u>(812,033)</u>	<u>(732,374)</u>	<u>79,659</u>
Net Change in Fund Balance	(359,434)	(351,434)	195,048	546,482
Fund Balance - Beginning	<u>4,224,208</u>	<u>4,224,208</u>	<u>4,224,208</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,864,774</u>	<u>\$ 3,872,774</u>	<u>\$ 4,419,256</u>	<u>\$ 546,482</u>

STERLING COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 572,204	\$ 572,204	\$ 571,893	\$ (311)
Licenses and permits	115,880	115,880	110,603	(5,277)
Fees	1,100	1,100	2,049	949
Investment earnings	15,000	15,000	6,078	(8,922)
Miscellaneous	25,000	25,000	13,889	(11,111)
Total Revenues	<u>729,184</u>	<u>729,184</u>	<u>704,512</u>	<u>(24,672)</u>
Expenditures				
Commissioner's salary	82,320	82,320	82,320	
Road foreman salary	47,380	47,380	47,380	
Landfill salary	4,252	4,252	4,088	164
Cell phone allowance	1,800	1,800	1,375	425
Road salary	76,252	76,252	66,626	9,626
Social security	15,925	15,925	15,437	488
Group hospital insurance	89,000	89,000	72,291	16,709
Retirement	16,135	16,135	15,343	792
Permit and landfill fees	15,000	16,964	16,964	
Fuel and oil	35,000	20,000	14,924	5,076
Supplies	1,500	2,568	2,568	
County barn maintenance	12,890	12,890	5,746	7,144
Telephone	2,250	2,714	2,714	
Travel expenses	5,000	5,000	1,393	3,607
Utilities	3,500	4,794	4,794	
Machine parts and repairs	55,000	39,750	3,495	36,255
Road materials and repairs	140,000	50,046	78,794	(28,748)
Lateral road funds	6,880	6,880	6,880	
Miscellaneous expense	4,100	4,100	1,739	2,361
Professional fees	15,000	10,210		10,210
Capital outlay	100,000	220,204	213,704	6,500
Total Expenditures	<u>729,184</u>	<u>729,184</u>	<u>658,575</u>	<u>70,609</u>
Excess (deficiency) of revenues over expenditures			<u>45,937</u>	<u>45,937</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)				
Total other financing sources (uses)				
Net Change in Fund Balance			45,937	45,937
Fund Balance - Beginning	<u>1,023,939</u>	<u>1,023,939</u>	<u>1,023,939</u>	
Fund Balance - Ending	<u>\$ 1,023,939</u>	<u>\$ 1,023,939</u>	<u>\$ 1,069,876</u>	<u>\$ 45,937</u>

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	2014	2015	2016
Total Pension Liability			
Service cost	\$ 355,211	\$ 348,418	\$ 470,366
Interest (on the Total Pension Liability)	583,273	623,188	653,432
Changes of benefit terms	-	(70,584)	-
Effect of economic/demographic (gains)	20,568	(89,476)	(306,213)
Change of assumptions	-	103,678	-
Benefit payments, including refunds	(408,001)	(553,159)	(618,930)
Net Change in Total Pension Liability	551,051	362,065	198,655
Total Pension Liability - Beginning	7,226,779	7,777,830	8,139,895
Total Pension Liability - Ending (a)	\$ 7,777,830	\$ 8,139,895	\$ 8,338,550
 Plan Fiduciary Net Position			
Contributions - Employer	192,443	186,747	183,790
Contributions - Employee	164,281	172,458	179,182
Net Investment Income	568,189	(140,407)	633,338
Benefit payments, including refunds	(408,001)	(553,159)	(618,930)
Administrative Expense	(6,635)	(6,257)	(6,877)
Other	(48,015)	49,291	(40,041)
Net Change in Plan Fiduciary Net Position	462,262	(291,327)	330,462
Plan Fiduciary Net Position - Beginning	8,377,866	8,840,128	8,548,802
Plan Fiduciary Net Position - Ending (b)	\$ 8,840,128	\$ 8,548,801	\$ 8,879,264
Net Pension Liability - Ending (a)-(b)	\$ (1,062,298)	\$ (408,906)	\$ (540,714)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.66%	105.02%	106.48%
 Covered Employee Payroll	\$ 2,346,870	\$ 2,463,681	\$ 2,559,748
 Net Pension Liability as a Percentage of Covered Employee Payroll	-45.26%	-16.60%	-21.12%

STERLING COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Liability			
Service cost	\$ 416,856	\$ 408,170	\$ 457,483
Interest (on the Total Pension Liability)	681,611	703,994	746,009
Changes of benefit terms	-	-	-
Effect of economic/demographic (gains)	(201,131)	(14,093)	(3,762)
Change of assumptions	45,961	-	-
Benefit payments, including refunds	<u>(694,438)</u>	<u>(620,663)</u>	<u>(637,031)</u>
Net Change in Total Pension Liability	248,859	477,408	562,699
Total Pension Liability - Beginning	<u>8,338,550</u>	<u>8,587,409</u>	<u>9,064,817</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,587,409</u></u>	<u><u>\$ 9,064,817</u></u>	<u><u>\$ 9,627,516</u></u>
 Plan Fiduciary Net Position			
Contributions - Employer	203,229	200,824	188,593
Contributions - Employee	172,228	179,079	183,609
Net Investment Income	1,290,932	(186,012)	1,543,906
Benefit payments, including refunds	(694,438)	(620,663)	(637,031)
Administrative Expense	(6,544)	(7,550)	(8,126)
Other	<u>(4,347)</u>	<u>(6,186)</u>	<u>(7,582)</u>
Net Change in Plan Fiduciary Net Position	961,060	(440,508)	1,263,369
Plan Fiduciary Net Position - Beginning	<u>8,879,264</u>	<u>9,840,324</u>	<u>9,399,817</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 9,840,324</u></u>	<u><u>\$ 9,399,816</u></u>	<u><u>\$ 10,663,186</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ (1,252,915)</u></u>	<u><u>\$ (334,999)</u></u>	<u><u>\$ (1,035,670)</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	114.59%	103.70%	110.76%
 Covered Employee Payroll	\$ 2,460,401	\$ 2,558,266	\$ 2,622,990
 Net Pension Liability as a Percentage of Covered Employee Payroll	-50.92%	-13.09%	-39.48%

STERLING COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2020

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2010	216,211	216,211	-	1,930,456	11.2%
2011	161,830	177,057	(15,227)	1,770,565	10.0%
2012	162,293	182,969	(20,676)	1,829,690	10.0%
2013	165,898	171,022	(5,124)	1,998,768	8.6%
2014	192,443	192,443	-	2,346,870	8.2%
2015	186,747	186,747	-	2,463,681	7.6%
2016	183,790	183,790	-	2,559,748	7.2%
2017	203,229	203,229	-	2,460,401	8.3%
2018	200,824	200,824	-	2,558,266	7.9%
2019	188,593	188,593	-	2,622,990	7.2%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level of percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated at 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
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
Changes in Plan Provisions Reflected in the Schedule	2015, 2016, 2018 and 2019: No changes in plan provisions were reflected 2017: New Annuity purchase Rates were reflected for benefits earned after 2017

OTHER SUPPLEMENTARY INFORMATION

STERLING COUNTY, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Jury Fund	Records Management	Courthouse Security	Technology Fund
ASSETS				
Cash and cash investments	\$ 132,290	\$ 30,454	\$ 50,370	\$ 13,717
Investments	300,000		20,000	
Due from agency funds	94	455	964	775
Accrued interest receivable	339		64	
Total Assets	\$ <u>432,723</u>	\$ <u>30,909</u>	\$ <u>71,398</u>	\$ <u>14,492</u>
 LIABILITIES				
Accounts Payable	\$ 1,121			
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue				
Total Liabilities and deferred inflows of resources	1,121			
 FUND BALANCE				
Restricted	431,602	30,909	71,398	14,492
Unassigned				
Total Fund Balance	431,602	30,909	71,398	14,492
Total Liabilities and Fund Balance	\$ <u>432,723</u>	\$ <u>30,909</u>	\$ <u>71,398</u>	\$ <u>14,492</u>

Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
\$ 5,054	\$ 2,500	\$ 1,744	\$ 29,529	\$ 265,658
4			430	320,000
				2,722
				403
<u>\$ 5,058</u>	<u>\$ 2,500</u>	<u>\$ 1,744</u>	<u>\$ 29,959</u>	<u>\$ 588,783</u>
\$ _____	\$ _____	\$ _____	\$ _____	\$ 1,121
				1,121
5,058	2,500	1,744	29,959	587,662
<u>5,058</u>	<u>2,500</u>	<u>1,744</u>	<u>29,959</u>	<u>587,662</u>
<u>\$ 5,058</u>	<u>\$ 2,500</u>	<u>\$ 1,744</u>	<u>\$ 29,959</u>	<u>\$ 588,783</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Jury Fund	Records Management	Courthouse Security	Technology Fund
REVENUES:				
Property taxes	\$ 28,346	\$	\$	\$
Fees	2,635	2,274	9,246	8,304
Intergovernmental	16,312	3,327		
Investment earnings	2,316	164	408	63
Total Revenues	49,609	5,765	9,654	8,367
EXPENDITURES:				
Current:				
Salaries and benefits	2,474			
Other operating	33,135	4,994	2,389	4,010
Capital Outlay			29,477	
Total Expenditures	35,609	4,994	31,866	4,010
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	14,000	771	(22,212)	4,357
OTHER FINANCING SOURCES:				
Transfers from other funds				
Total Other Financing Sources				
NET CHANGE IN FUND BALANCE	14,000	771	(22,212)	4,357
FUND BALANCE - BEGINNING	417,602	30,138	93,610	10,135
FUND BALANCE - ENDING	\$ 431,602	\$ 30,909	\$ 71,398	\$ 14,492

Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
\$ 267	\$ 150	\$	\$ 4,610	\$ 28,346
27	9	592	105	27,486
<u>294</u>	<u>159</u>	<u>592</u>	<u>4,715</u>	<u>3,092</u>
				2,474
		1,085		45,613
				<u>29,477</u>
		1,085		77,564
294	159	(493)	4,715	1,591
<u>294</u>	<u>159</u>	<u>(493)</u>	<u>4,715</u>	<u>1,591</u>
4,764	2,341	2,237	25,244	586,071
<u>\$ 5,058</u>	<u>\$ 2,500</u>	<u>\$ 1,744</u>	<u>\$ 29,959</u>	<u>\$ 587,662</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2020

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
ASSETS			
Current:			
Cash and investments	\$ 28,644	\$ 21,611	\$ 50,255
Total current assets	<u>28,644</u>	<u>21,611</u>	<u>50,255</u>
Noncurrent assets:			
Property and equipment, net	126,614	234,729	361,343
Total noncurrent assets	<u>126,614</u>	<u>234,729</u>	<u>361,343</u>
TOTAL ASSETS	<u>155,258</u>	<u>256,340</u>	<u>411,598</u>
LIABILITIES			
Accounts Payable	<u>755</u>		<u>755</u>
Total Liabilities	<u>755</u>		<u>755</u>
NET POSITION			
Net investment in capital assets	126,614	234,729	361,343
Unrestricted	<u>27,889</u>	<u>21,611</u>	<u>49,500</u>
TOTAL NET POSITION	<u>\$ 154,503</u>	<u>\$ 256,340</u>	<u>\$ 410,843</u>

STERLING COUNTY, TEXAS

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
REVENUES:			
Fees and charges for services	\$	\$ 4,926	\$ 4,926
Donations	37,565	84,944	122,509
Intergovernmental	50,000	37,950	87,950
Investment earnings	19		19
Miscellaneous	816		816
	<hr/>	<hr/>	<hr/>
Total Revenues	88,400	127,820	216,220
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Salaries and benefits		23,125	23,125
Occupancy costs	5,553	6,125	11,678
Repairs and supplies	37,278	9,967	47,245
Depreciation	20,932	10,645	31,577
Other operating	6,783	12,319	19,102
	<hr/>	<hr/>	<hr/>
Total Expenditures	70,546	62,181	132,727
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	17,854	65,639	83,493
NET POSITION - BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	136,649	190,701	327,350
	<hr/>	<hr/>	<hr/>
NET POSITION - END OF YEAR	\$ <u>154,503</u>	\$ <u>256,340</u>	\$ <u>410,843</u>

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

To the Commissioner's Court
Sterling County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Sterling County, Texas' basic financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sterling County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sterling County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Sterling County, Texas' 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 Sterling County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas,
May 7, 2021